| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch24 | Indonesia | Rp3100 | Philippines | Peo40 |
| Bahrain | Din0.700 | Iran | Rls210 | Poland | Zl 6,000 |
| Belgium | BFr55 | Israel | Shk2.50 | Portugal | Esc150 |
| Cyprus | C£0.90 | Italy | L2000 | Qatar | QR9.50 |
| Denmark | DKr12.00 | Jordan | Fils1000 | S.Arabia | SR7.00 |
| Egypt | E£3.25 | Kuwait | Fils.600 | Singapore | S$4.10 |
| Finland | FM8.50 | Lebanon | L£400.00 | Spain | Pta155 |
| France | FFr7.50 | Lux | LFr55 | Sweden | SKr12 |
| Germany | DM2.60 | Malaysia | M$4.25 | Switz. | SFr2.50 |
| Greece | Dr150 | Morocco | MDh8.50 | Thailand | Bt50 |
| Hong Kong | HK$12 | Neth | Fl 3.25 | Tunisia | Din0.800 |
| Hungary | Ft107 | Nigeria | Naira10 | Turkey | L1400 |
| Iceland | IKr180 | Norway | NKr12.00 | UAE | Dh7.00 |
| India | Rs15 | Oman | OR1 | | |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Thursday June 14 1990

D 8523A


**UNITED STATES**

**Policy on aid to industry draws fire**

Page 5

## World News

### Gorbachev wins backing on economic package

The policies of President Mikhail Gorbachev received a double boost. The Supreme Soviet gave him the political mandate he needs to begin turning the Soviet Union into a market economy on the same day that headway was made on the future of the Baltic republics. Pages 2 and 14

**Algerian upset**

Algeria confirmed a sweeping upset victory by Moslem fundamentalists over the ruling National Liberation Front (FLN) in the first free elections since independence. The vote was for provincial and municipal assemblies.

**Iran ties ruled out**

President George Bush ruled out normal relations with Iran until six remaining American hostages were freed from captivity in Lebanon.

**Israel court-martial**

The Israeli army said it would court-martial three soldiers and prosecute a civilian employee who beat and trampled a Reuters photographer in the occupied West Bank. UN mission, Page 4; Baker blames Shamir, Page 14

**Air delays worsen**

Flight delays in Europe, costing airlines and passengers $3.7bn a year, reached their worst ever level in 1989 and show no signs of improving this year. Page 2

**Belgrade violence**

Belgrade police wielding batons charged about 1,000 Serbian demonstrators demanding free elections. Earlier, thousands blocked the city's main avenue in support of the demand. Page 2

**Green plea to Japan**

Thirty-five environmentalist groups from around the world asked Japan to stop mass killings in its waters of a fast-vanishing species of porpoise.

**Mass grave found**

A mass grave of Polish soldiers shot by Soviet secret police during the Second World War has been found in the western Ukraine, the newspaper Moscow News said.

**Soccer fans shot**

Two soccer fans were wounded by shotgun blasts and one was badly knifed during a brawl on the French island of Corsica.

**African hunger**

More than 142m Africans – one in three – are chronically malnourished, according to a report to the UN Food and Agriculture Organisation.

**Collor pledge fails**

President Fernando Collor de Mello is failing to make good a pledge to dismiss 360,000 Brazilian federal civil servants by next Monday. Ministers admit the number is more likely to be one third of that target. Page 5

**Canadian flood toll**

Flooding and mudslides have caused havoc throughout the British Columbia interior where nine people are believed dead in three separate accidents.

**Colonel murdered**

A suspected Basque separatist gunman shot and killed a retired Spanish army colonel on a street near the beach in San Sebastian.

**Mail order bride ban**

President Aquino signed into law a measure banning the practice of offering Philippines women for marriage to foreigners on a mail-order basis.

**Ulster leader dies**

Terence O'Neill, premier of Northern Ireland for six years until the present "troubles" erupted in 1969, died aged 75. Page 6

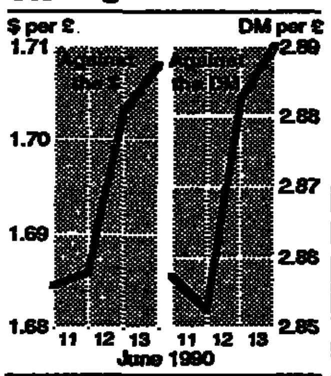
## Business Summary

### Belgium to reform money market and central bank

Belgium is planning a thorough-going reform of its domestic money market and greater independence for its central bank by the beginning of next year, Alfons Verplaetse, governor of the Belgian National Bank, said. In an interview with the Financial Times, he said the steps were intended to make Belgium more attractive to foreign investors. Page 2

STERLING: The pound continued to advance finishing in London at DM2.8900, from DM2.8825. The pound also gained ½ cent to $1.7080, while advancing to FFr9.7150 from FFr9.6975; to SFr2.4475 from SFr2.4450; and to Y264.50 from Y263.00. Its index rose 0.3 to 90.6. Currencies, Page 36, Analysis, Page 14

**Sterling**




ELSEVIER, largest Dutch publisher, is to sell its 33 per cent holding in Wolters Kluwer, big domestic rival. Page 15

US RETAIL sales fell 0.7 per cent in value in May, the third successive month of decline, and preliminary figures from the car market in June suggest a further weakening. Page 14

LUCKY DEVELOPMENT, subsidiary of Lucky Goldstar, South Korean conglomerate, is to set up electronics factory in the Soviet Union in a $380m joint venture with a Soviet company and Bechtel of the US. Page 3

CABLE AND Wireless, UK based international telecommuications group, reported pre tax profits of £527m, ($890m) up 25 per cent, for the year to end March 1990. Page 15; Lex, Page 14

HUNGARY, Poland and Czechoslovakia signed co-operation agreements with the European Free Trade Association. Page 3

ASIAN ivory industry has collapsed, according to a consultant for the World Wide Fund for Nature. Page 4

LIFE STORES, Japanese retailer, has begun its Y1bn ($6.49m) damages suit against the Government over curbs on the size of Japanese retail outlets. Page 4

REVCO DS, leading US drug store chain, faces a court-appointed examiner to determine whether it was bankrupted by the terms of its $1.3bn leveraged buy-out four years ago. Page 15

PIRELLI SpA, Italian tyres and cables group, is pushing ahead with plans to spin off its cables division, into a separate company. Page 16

SPAIN is making urgent preparations to rescue the Pta28bn ($266m) sale of the state-owned truck producer, Enasa, to Daimler Benz and MAN of West Germany. Page 15

MONDADORI, Italian publishing group, representatives meet before a special arbitration panel to settle shareholders' dispute. Page 16

MINING operations are greatly underperforming according to Metals and Minerals Research Services consultancy group. Page 28

PHILIPPINES' balance of payments deficit widened sharply to $371m in the first quarter of 1990. Page 4

Thousands of demonstrators set fire to police headquarters and storm TV station

# Romanian coup attempt alleged

By Owen Bennett-Jones in Bucharest

THE ROMANIAN Government last night accused protesters of trying to stage a coup after thousands of demonstrators stormed the Romanian television compound and set fire to Bucharest's police headquarters.

The violence, in which the Health Ministry reported one person killed and 33 injured, was the worst in the capital since the overthrow of Nicolae Ceausescu in December. At one point the opposition forces had control of the television station and broadcasts were interrupted, but troops retook the building.

The demonstrators set fire to the police headquarters and reoccupied University Square from which they had been cleared in a dawn raid.

The violence appeared to be continuing last night despite pleas for calm from President Ion Iliescu.

In a statement, he said: "We are facing an organised attempt to remove by force and violence the country's elected leaders." He confirmed reports that the city's police headquarters was set on fire and the interior ministry attacked, and said guns were seized in the raids.

Anti-government demonstrators run from police during clashes in Bucharest yesterday

The President's statement described the hard core of the protesters as "legionary elements" – a reference to pre-Second World War fascists.

He urged all democratic forces "who gave their vote for freedom and stability in Romania to support the action of eliminating this fascist rebellion."

President Iliescu and his National Salvation Front won a landslide victory in free elections last month to become the first ex-Communist to win a popular presidential election in eastern Europe. He pledged to build democracy and move Romania to a market economy.

Last night he called on Romanians to co-operate with the army and police to re-establish order and help arrest extremist elements "who must be brought to justice."

State radio said troops and armoured cars had been sent to the television headquarters. A journalist working for Reuter, the news agency, reported seeing trucks carrying about 200 workers armed with iron bars and sticks arrive at the building and start attacking the protesters occupying it.

Late yesterday there were unconfirmed reports that soldiers had opened fire on anti-government demonstrators outside Bucharest's secret police headquarters. One witness reported seeing at least two bodies outside the old headquarters of the Securitate, the hated secret police.

People who thronged the streets booed as helicopters flew overhead surveying the situation.

Some protesters then marched toward Victory Square, headquarters of the ruling National Salvation Front, largely composed of reformed communists.

Continued on Page 14

# Poland sets a two-year target for sell-offs

By Martin Wolf in Warsaw

Leszek Balcerowicz: economic architect

THE POLISH Government is seeking to privatise a considerable part of the economy within about two years, including encouraging a degree of foreign ownership of privatised companies.

However, contrary to widespread discussion in Poland, distribution of shares to workers will play a relatively small part in the planned privatisations, Mr Leszek Balcerowicz, Finance Minister and Deputy Prime Minister, said yesterday.

Mr Balczerowicz, architect of the Polish economic stabilisation plan, said in an interview: "Whatever pace we adopt is risky." But in his view the risks of speedy privatisation must be taken to change the structure and dilatory responses of the economy.

The Finance Minister prefaced an outline of the proposals by saying there had been undue concentration on privatising large state enterprises by distributing their shares.

The Government is thus working on three alternatives for privatising large enterprises. "The first would be to issue bonds or coupons which would entitle the holder to buy shares; the second would be to distribute shares of selected enterprises among the citizens; the third would be to distribute shares in mutual funds.

"Each of these methods has advantages and disadvantages," Mr Balczerowicz, said. "We are working on the logistics, before we commit ourselves to one of the three alternatives."

Privatisation of small and medium-sized state enterprises would be achieved by selling or leasing their physical assets to private individuals, including their employees. Both approaches were to be speeded up.

On worker ownership, the Minister argued that "our privatisation method should not lead to an economy which is very different from experience in the west. This would exclude imposing distribution of a considerable number of shares to the workers or heavy subsidisation of the sale of shares to workers."

None the less, "there are certain possibilities for ownership by workers. New companies can be set up in the form of producer co-operatives," he said. There would be preferences for workers in the sale or lease of the assets of smaller companies. Finally, up to 20 per cent of the shares in larger enterprises could be sold at a preferential rate to the workers, but the amount of subsidised share distribution should not exceed the annual wage bill.

Shares could also be held by banks, which would be reorganised on the West German model. This would be best for a country that needed institutional investors, the Minister noted.

Under regulations proposed to the parliament, foreigners would not need permission to buy up to 10 per cent of a given company. But, above that level approval would be needed.

# UK rejects Brussels plans for part-time workers

By Lucy Kellaway
In Strasbourg

RADICAL European Commission plans designed to improve the lot of part-time and temporary workers were greeted with fury yesterday by the British Government.

It said they would increase unemployment, play havoc with the social security system, and that they were probably illegal under European law.

The proposals – which caused a split within the Commission – would mean that part-time and temporary workers would have the same rights and benefits on a pro-rata basis as full-time workers.

The measures, the first to be brought forward under the Commission's so-called "social action programme," are being seen as a test case for future European legislation on social matters.

At issue is whether the Commission has acted properly in subjecting one of the directives to qualified majority voting in the Council of Ministers, the final decision-making body, rather than to unanimous voting.

The question is of considerable practical importance, as any radical social measures that were put to a unanimous vote would probably be blocked by the UK, which refused to sign the Social Charter last December. The Social Charter was a solemn declaration, without legal force, while the social action programme will seek to enforce some of its principles.

The Commission said a majority vote on this directive was justified on competition grounds – for which majority voting is standard practice – as the existing difference in benefit levels between full- and part-time workers distorted competition between member states. In some countries it was up to a third cheaper to employ part-time workers.

British officials said that the competitive argument was spurious, and that the Government was considering taking the matter to the European Court if the directive was passed by a majority of member states.

The directive would require employers to pay social security benefits to those part-time employees working more than 8 hours a week. Britain's representatives said this could

Continued on Page 14

# Prices of RJR Nabisco bonds jump on reports of KKR fund

By Martin Dickson in New York

JUNK BONDS issued by RJR Nabisco, the food and tobacco group which was taken private last year in the biggest ever leveraged buy-out, soared yesterday on reports that a $1.7bn fund was being prepared to bolster their sagging market values.

Kohlberg Kravis Roberts, the buy-out specialist firm which bought RJR Nabisco in a $25bn deal last year, faces a potentially serious problem with the two bond issues, which have a combined par value of about $6bn, because they are "resettable."

This means that interest on the bonds is adjusted periodically to restore the debt to its original face value. The further the price of the bond falls, the higher the interest rate required.

KKR must reset the interest rate no later than next April and the deep depression in the US junk, or high yield, bond market means that the bonds have traded as low as 57 cents on the dollar this year. Without a rally, RJR could face paying interest rates of more than 20 per cent on the issues.

**At an auction in the London office of Drexel Burnham Lambert, the failed investment bank which pioneered junk bonds, a poster being sold said: "In the investment community it's not how big you are that counts, it's how big you want to be." Page 14**

But the prices rose sharply yesterday amid reports – on which both KKR and RJR refused comment – that KKR had raised a further $1.7bn from investors in its leveraged buy-out fund. It was unclear exactly how this cash would be used, and the indications yesterday were that KKR was still considering a range of options to deal with the reset problem.

Mere word of a possible solution was enough to send prices soaring in hectic trading of the two issues concerned.

RJR's issue of convertible pay-in-kind bonds, due 2009, which pay interest in the form of additional securities rather than cash, were up more than 6¾ points in afternoon trading to stand at 89¾. There are around $1.8bn outstanding.

The other issue, of exchangeable pay-in-kind debentures, due 2007, was 8¾ higher at around77⅝. Just over $4bn of this issue is outstanding.

There has been market speculation for weeks that KKR would have to either buy back a portion of the bonds, or launch an exchange offer for them.

However, Mr Dirk Van Doren, a bond analyst at McCarthy Crisanti & Maffei, said that with a capital infusion in place KKR might not need to do either. "It has the luxury of waiting to see if the bonds can be reset on their own."

That would also depend on the market's perception of RJR's trading performance and ability to service its $22.7bn debt burden.

In April the company reported a $222m loss first quarter loss, despite a sharply higher operating performance, with interest and debt expenses totalling $830m during the period.



## CONTENTS



**A nostalgic lament for the irrecoverable loss of a leader**

Hero-worship of Gen Charles de Gaulle (pictured, left, in 1969) has come back into vogue in Paris, as the French react with some confusion to an evocative anniversary in their history

Page 2



## MARKETS

**STERLING**
New York close
$1.7095 (1.7030)
London:
$1.7080 (1.7030)
DM2.8900 (2.8825)
FFr9.7150 (9.6975)
SFr2.4475 (2.4450)
Y264.50 (263.00)
£ index 90.6 (90.3)

**GOLD**
New York: Comex Aug
$355.1 (359.1)
London:
$351.00 (356.00)

**N SEA OIL** (Argus)
Brent 15-day Aug
$16.45 (+0.135)

Chief price changes yesterday: Page 15

**DOLLAR**
New York close
DM1.68945 (1.69655)
FFr5.6820 (5.7090)
SFr1.4290 (1.4382)
Y154.955 (154.60)
London:
DM1.6915 (1.6890)
FFr5.6875 (5.6950)
SFr1.4330 (1.4360)
Y154.80 (154.45)
$ index 67.8 (same)
Tokyo close: Y154.55

**US closing rates**
Fed Funds 8.0% ($8\frac{3}{16}$)
3-mo Treasury Bills:
yield: 7.83% (7.972)
Long Bond:
$103\frac{22}{32}$ ($103\frac{3}{16}$)
yield: 8.382 (8.449)

**STOCK INDICES**
FT-SE 100:
2,405.4 (+34.7)
FT Ordinary:
1,933.2 (+32.2)
FT-A All-Share:
1,183.41 (+1.3%)
New York close
DJ Ind. Av.
2,929.95 (-3.47)
S&P Comp
365.82 (–0.43)
Tokyo: Nikkei
32,371.77 (+49.46)

**LONDON MONEY**
3-month interbank:
closing $14\frac{7}{8}$% ($14\frac{29}{32}$)
Liffe long gilt future:
Sep $84\frac{13}{32}$ ($84\frac{7}{16}$)

# Belgium reveals plan for overhaul of money market

By Peter Norman and Tim Dickson in Brussels

BELGIUM is planning a thorough-going reform of its domestic money market and greater independence for its central bank by the beginning of next year at the latest, Mr Alfons Verplaetse, the governor of the Belgian National Bank, said.

In an interview with the Financial Times, Mr Verplaetse said these steps were intended to make Belgium more attractive to foreign investors and position the country's financial sector for the more competitive conditions of the single European market after 1992.

The plans, involving a shake up of Belgium's hitherto protected financial sector, were outlined to leading financial institutions this week. It is understood that the banks, while not enthusiastic about the proposed developments, accepted there was no other way forward.

The proposed money market reforms will bring Belgium into line with other European Community countries. The National Bank believes they are especially timely because the Belgian economy has emerged from a difficult period in the early 1980s as among the strongest in the EC.

■ Real economic growth last year exceeded 4 per cent for the second year running and is projected to average more than 3 per cent annually this year and next, lifting employment.

■ Consumer price inflation, which rose to 3.1 per cent last year from 1.2 per cent in 1988, appears to have peaked. According to Mr Verplaetse, the National Bank expects it to fall below 3 per cent by the end of this year and decline further in 1991.

■ Wage pressures seem under control: real wages increased by just 2 per cent annually in 1989 and 1990 and it is hoped that they will rise by no more than 2.5 per cent annually in the 1991-2 period to be covered by the next round of collective wage bargaining.

■ Despite large-scale imports to sustain strong domestic investment, Belgium is running a current account balance of payments surplus equivalent to about 2 per cent of gross domestic product.

The only serious blemish on the economic scene is the government deficit, which is forecast at 6.1 per cent of GDP this year against an EC average of 3.2 per cent. In 1981, the deficit amounted to more than 13 per cent of GDP.

The Belgian budget for next year, to be finalised next month, is expected to set 1995 as the target date for bringing the Government's deficit into line with the EC average by means of cuts of between 0.5 per cent and 0.75 per cent of GDP annually.

The creation of a sophisticated domestic money market is the central feature of the financial reforms to be introduced by next year. Until now, the National Bank's monetary policy has been based almost exclusively on the fixing of interest rates – in consultation with the Finance Ministry – on short-term Belgian franc Treasury Bills.

According to Mr Verplaetse, this practice has thrown up several problems.

The National Bank has sometimes given false signals of its intentions because unlike other central banks, it has not been able to to use a series of money market instruments.

**Central bank will no longer extend credits to the government for deficit finance**

The Treasury bill has played an important part in financing the Government's deficit, sometimes leading to conflicts of interest between Government and central bank. Belgium has experienced a net drain of capital abroad, partly because foreign investors have not had a wide variety of Belgian instruments in which to invest.

To streamline the market, the National Bank is planning to computerise the holding and transfer of Treasury Bills instead of issuing certificates. It intends to extend access to the Treasury bill market to non-residents and non-financial Belgian companies as well as to domestic institutions.

In a break with past practice, the bank will no longer be able to influence money market rates directly by fixing the interest rates of the Treasury bills. Like other European central banks it will intervene in money markets and conduct open market operations which set the conditions under which Belgium's financial institutions cover their liquidity requirements by borrowing from the central bank.

This will mean an end to the special relationship between the National bank and the Belgian state.

The bank will no longer extend credits to the Government to finance its deficit. Instead it wil maintain a modest BF20bn (£340m) cash facility to safeguard against erratic market developments.

Mr Verplaetse describes the moves as a separation of monetary and budgetary policies. They will result in increased independence for the Belgian National Bank, which will be codified in legislation between now and the end of the year.

# Gorbachev makes headway on Baltic issue

By Leyla Boulton in Moscow

MR Mikhail Gorbachev, the Soviet leader, appeared to make remarkable headway yesterday with his proposals for compromise with Baltic states and a new treaty to hold the Soviet Union together.

Details of the plan for a loose confederation of sovereign states with individually-tailored ties to the centre were made public yesterday after Mr Gorbachev presented them to a closed meeting on Tuesday.

Mr Arkadi Maslenikov, the Soviet president's spokesman, said yesterday that all leaders present had agreed on the "urgent need for a new treaty".

He said a round table of republican representatives would start drafting a new treaty in a week's time.

The proposed new treaty is Mr Gorbachev's answer to the forest fires of nationalism raging across the Soviet Union.

The pressure on Mr Gorbachev has been particularly acute ever since Mr Boris Yeltsin took charge of the country's largest and most powerful republic – the Russian Federation – with the aim of restoring full sovereignty.

Mr Maslenikov said that areas likely to be delegated to the centre were defence, foreign policy, and certain economic and financial matters "although the economic sphere will be the most difficult to split up".

He said there was also broad agreement on the need for a single Soviet market – a European Community-style plan inspired by the erection of trade barriers all over the country in response to shortages.

"Of course this will lead to a very different Soviet Union, a more democratic Soviet Union," he said.

Reaction to the plan varied.

While many independence-minded Balts felt the union treaty did not concern them, more "loyal" republics welcomed the plan as a means of preventing the union's collapse.

"We need this treaty quickly before everybody declares their sovereignty individually," said Mrs Bihodjal Rakhimova, a deputy from the Central Asian republic of Tadjikistan.

"The Baltic question is not a question of confederation," said Mr Valdis Stein, who heads Latvia's Social Democratic Workers' Party.

Nationalist movements elsewhere fell short of rejecting the new union treaty

"For the moment this is just words without actions. In principle it doesn't look bad but we have to wait for facts to match the words," said a spokesman for the pro-independence All-Armenian National Movement.

He said that although the group favoured complete independence, it did not yet have the economic or political wherewithal to achieve it.

"Besides we can't leave Nagorno-Karabakh hostage in the Soviet Union," he added, referring to the disputed territory which is inside neighbouring Azerbaijan but populated mainly by Armenians.

Yeltsin: using his new powers

# Yugoslavia to unveil fresh economic reform package

By Judy Dempsey and Laura Silber in Belgrade

YUGOSLAVIA will later this month unveil a second economic reform package aimed at boosting investments, improving industrial production, and lifting the freeze on wages and prices.

The measures, announced yesterday by Mr Aleksandar Mitrovic, the deputy prime minister, follow the first phase of reforms introduced last December.

Then, the primary concern of the government was to reduce inflation, build up reserves, free most prices, liberalise imports and phase in the convertibility of the dinar.

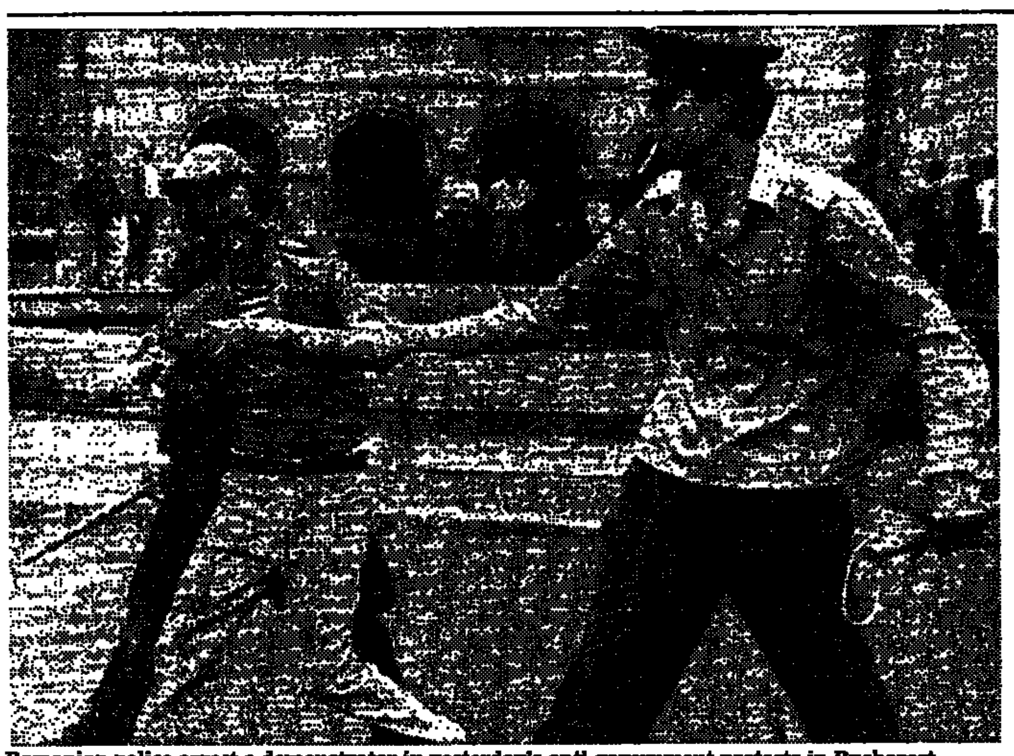
Since then, inflation, which was running at 1,000 per cent a year, has fallen to below 4 per cent a month, while the country's reserves have risen from $5bn (£2.95bn) to more than $8.5bn.

The dinar, which is tied to the D-Mark, is now partially convertible. Mr Mitrovic said he expected the International Monetary Fund would declare the dinar fully convertible in the autumn. However, the authorities remain worried about the continuing fall in industrial production figures.

These showed an 8.7 per cent fall in the first four months of this year compared to the same period last year, largely due to lack of investments and the shortage of capital reserves in many enterprises.

The government intends to tackle this problem by allowing enterprises greater wage flexibility, provided that a percentage of profits is set aside for capital accumulation. No concessions will be granted to loss-making enterprises which may be forced to close and which could affect as many as 300,000 people.

Mr Mitrovic said the present price freezes on oil, electricity and transport will be lifted. He went on to warn that as a consequence, Yugoslavs may expect "an unpleasant shock" in the prices of utilities.



Romanian police arrest a demonstrator in yesterday's anti-government protests in Bucharest

# Serbs in demonstrations against communist rule

By Judy Dempsey and Laura Silber

POLICE WIELDING batons charged about 1,000 anti-communist demonstrators yesterday in the Yugoslav capital of Belgrade after thousands of Serbs had taken to the city's streets demanding an end to one-party communist rule.

This was the first time that an opposition movement of five political parties had gathered to challenge the authority of the communist party in the Republic of Serbia, which remains one of the last bastions of one-party rule in eastern Europe and in Yugoslavia.

Following the first multi-party and free elections last April in the western republics of Slovenia and Croatia, the ruling communists lost power to centre-right and nationalist parties.

The Serbian party, dominated by Mr Slobodan Milosevic, who is the republic's president, has refused to hold free elections until a new constitution has been passed. The opposition, which loathes the communists but shares the party's deep-seated nationalist views, insist elections be held by the end of the year.

The communists say that the present constitution does not allow multi-party elections. But, the opposition says that the communists have no right to draft a new constitution because they have no mandate.

The new constitution, if passed, is likely to erode the remaining autonomy of the two provinces of Vojvodina and Kosovo which are constitutionally attached to Serbia.

Amendments to Serbia's constitution last year gave the republic sweeping powers over Kosovo on the grounds the small Serbian and Montenegrin minorities were being forced out of the province by the dominant ethnic Albanians.

# Study says multinational scientific teams have best results

By Peter Marsh

A PIONEERING study for the European Commission has concluded that joint scientific research by researchers from more than one country provides significantly better results than work involving scientists from only one nation.

The conclusion, based on a computerised analysis published today of 400,000 research papers, is likely to support the broad ideas of the commission to organise more multinational science and technology programmes similar to its Esprit and Eureka projects.

It may also put more pressure on scientists working in individual nations to seek foreign collaborators.

The study was conducted by CHI Research, a small New Jersey-based consultancy. It is a world leader in a new method for evaluating the results of scientific research called citation analysis.

CHI has pioneered the idea of analysing the number of times specific research papers in certain fields are cited by other scientists in subsequent work. This, the consultants say, gives an indirect way of evaluating the worth of the original research.

Evaluating scientific research is notoriously difficult and has exercised scientists and economists for decades. Most observers say that counting inputs – the amount spent on research and development – is not the answer, but there have been few reliable methods of quantifying output.

The study for the commission looked at scientific papers across 28 disciplines, in areas such as metals technology, water pollution, agriculture, computers and medicine.

The researchers found that internationally co-authored papers were cited twice as often as papers published by scientists working in a single institution within one country.

Although the number of citations involving co-authored papers varied between disciplines, the high citation rates for multinational research held.

Furthermore, the high citation rates appear to be independent of the country or countries in which the original research was done. In other words, scientists do not seem to favour research solely because it has been done by people from their own nation.

# Enimont ex-president tipped to head Italian state railways

MR Lorenzo Necci, the 51-year-old former president of Enimont, Italy's troubled public-private joint venture, has emerged as the front-runner for appointment as the next head of the Italian state railways, Ferrovie dello Stato (FS), **John Wyles writes from Rome.**

He would succeed Mr Mario Schimberni, the former managing director of Montedison, who resigned last week after 17 months as the special administrator of the FS.

Given Mr Schimberni's only partial success in winning a measure of managerial freedom from political interference and entrenched trade union power, some would say that while acceptance of the Enimont presidency suggested a masochistic streak in Mr Necci, walking into the FS post would definitely confirm it.

It is thought likely that Mr Necci, a well regarded professional manager, will subsequently accept the role of FS president once the Government has finally decided what its legal identity should be.

Mr Schimberni evidently failed to persuade Mr Carlo Bernini, the Minister of Transport, that the railways should be organised as a joint stock company with majority public participation.

It now remains to be seen whether his successor would be content for the railways to remain a state entity under the direct control of Mr Bernini's ministry.

# Airline flight delays worsening in Europe

By Paul Betts, Aerospace Correspondent

FLIGHT delays in Europe, costing airlines and passengers $3.7bn (£2.18bn) a year, reached their worst ever level in 1989 and show no signs of improving this year.

The Association of European Airlines (AEA), which groups 21 carriers, yesterday blamed Europe's fragmented and inadequate air traffic control operations for causing delays to almost a quarter of all European flights last year.

"In terms of punctuality, 1989 was the bleakest year yet for AEA's European travellers," it said in its annual report, adding that 23.8 per cent of all departures were delayed by more than 15 minutes last year, compared with 19 per cent in 1988, 14.9 per cent in 1987 and 12.5 per cent the year before.

Although there had been a small improvement in the first quarter of this year, the AEA expects the situation to remain virtually unchanged for the whole year with European air travellers continuing to face the miseries of flight delays and crowded airports.

Congestion had also contributed to falling airline profits last year.

However, the main cause for the 37 per cent fall in AEA airlines gross operating profits to $1.135bn last year was higher fuel costs.

# Mandela 'confident' EC summit will vote to retain sanctions

MR Nelson Mandela, deputy president of the African National Congress yesterday said he was "confident" that the European Community would decide not to lift sanctions at the Dublin summit later this month, **Our Foreign Staff writes.**

In September 1986 the Community banned imports of South African iron and steel, and gold coins, and introduced a voluntary ban on new investment. These will be reviewed in Dublin in the light of Pretoria's recent political reforms.

The European Commission, meanwhile, proposed that the EC's special programme to help apartheid victims should be increased and extended, although insisted that the money should not be granted on a political basis. This follows a request from Mr Mandela for money to help bolster the ANC.

# EC backs tough action against tour operators

TRAVELLERS whose package holidays go awry should, from 1993, get a greater right of redress from EC-based tour operators under a directive approved by ministers yesterday, **writes David Buchan in Brussels.**

But the consumer affairs ministers, meeting in Luxembourg, decided to ignore – as they can when all 12 Governments act in unison – various amendments tabled by the European Parliament and backed by the Brussels Commission which would have set out more precise rules on compensation, tougher limits on last-minute price surcharges, and a more specific remedy procedure.

Mr Karel Van Miert, the EC Commissioner responsible for both transport and consumer protection, said he would closely monitor the new measure to see if it should be strengthened by further legislation.

## Murders of trade unionists in sharp decline

More than 250 trade unionists were murdered throughout the world in the 12 months ending in March this year, the International Confederation of Free Trade Unions says in its 1990 report to the International Labour Office on violations of union rights, **writes Will Dullforce in Geneva.**

This statistic is an improvement over the preceding year, when nearly 650 trade union members were killed, some 500 of them in Colombia.

However, many more – 13,000 – were arrested and tens of thousands were sacked for doing union work, according to the Brussels-based ICFTU. Apart from Colombia, China, El Salvador, Peru, the Philippines, Sudan and South Africa are listed as among the most dangerous places for trade unionists.

## Electricity demand to grow by 2.4%

Total electricity demand is expected to grow by 2.4 per cent a year for the rest of the decade in the main industrialised countries, a report on nuclear power published yesterday by the Organisation for Economic Co-operation and Development predicts, **writes David Thomas.** Nuclear power will contribute a declining share of electricity supply over the decade, according to the information which was released by the OECD's Nuclear Energy Agency.

## Civic Forum to have 40-seat majority

Czechoslovakia's Civic Forum will have 170 seats in the 300-seat federal parliament, an overall majority of 40, according to the final allocation of seats announced yesterday, **Reuter reports from Prague.**

The second strongest group in parliament will be the Communist Party, which won 13.6 per cent of the vote and 47 seats. The Christian Democratic Union, an alliance of three parties, will have 40.

## W Germany scraps border controls

West Germany has agreed to scrap border controls with France and the Benelux countries, the Government said yesterday, **Reuter reports from Bonn.**

A spokesman said the Cabinet had agreed that West Germany would sign a treaty to this effect on June 19.

## Chemical plant plea

A West German businessman told a court yesterday that he secretly helped Libya build a chemicals factory, which the US and West Germany allege to be a poison gas plant, **Reuter reports from Mannheim.** Mr Juergen Hippenstiel-Imhausen, a former company executive, has pleaded guilty to violating West German export and tax laws.

# Hero-worship of De Gaulle comes back into vogue in Paris

**The French are reacting with some confusion to the anniversary of an heroic act of defiance, writes Ian Davidson**

FIFTY YEARS ago next Monday, General Charles de Gaulle broadcast from a BBC studio in London his famous appeal to the French to continue the fight against Nazi Germany, despite the military capitulation and the armistice signed by the legal French government.

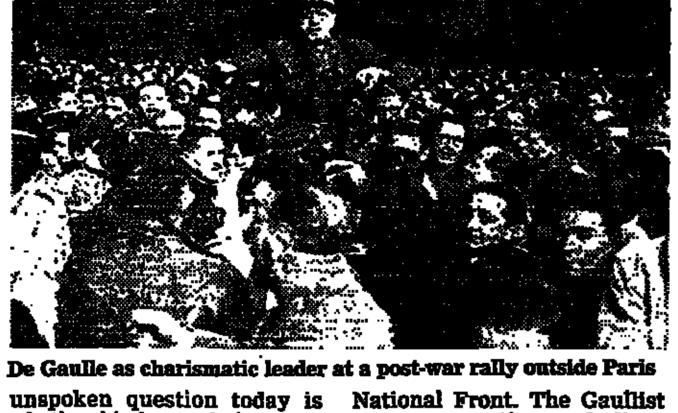
It was an appeal based solely on personal conviction and force of character: when he delivered it, De Gaulle had no forces to speak of, and only an equivocal supporter in Winston Churchill. But by force of character De Gaulle imposed himself on Britain, on America, and on France; and by 1944 he had raised France up from the ignominy of abject collapse, to an elevated position as one of the four victorious powers over Hitler's Germany.

De Gaulle's symbolic act of defiance and resistance has entered national French mythology as a turning-point in France's recovery of its self-esteem; and into Gaullist mythology as the first heroic appearance of their national saviour. To mark the anniversary, the Paris town hall (whose mayor is Jacques Chirac, leader of the Gaullist party), is plastering the city with 6,000 large photographic posters.

Le Monde has published a special 36-page commemorative supplement. And on Sunday the leadership of the Gaullist party will be trooping off to De Gaulle's home at Colombey-les-Deux-Eglises for an anniversary ceremony.

The commemoration seems to have acquired overtones of an unusual intensity, and not just for the committed Gaullists, as if its implications went beyond the proud remembrance of a heroic moment in recent French history. One explanation is that despite De Gaulle's magic, France has still not exorcised the traumas of that war, the humiliation of defeat and the guilt of collaboration.

But in addition, the Gaullists seem to be expressing a nostalgic lament for the irrecoverable loss of a leader and all he stood for. Since his death 20 years ago, they have built their political legitimacy on the perpetuation of his legacy. But the



De Gaulle as charismatic leader at a post-war rally outside Paris

unspoken question today is whether his legacy is irrevocably relegated to the past, inspiring but inapplicable.

"All my life," said De Gaulle at the start of his *Mémoires de Guerre*, "I have formed a certain idea of France." But life moves on, and with it France. In political terms, France is today a troubled country, beset with party quarrels, and overshadowed by Mr Jean-Marie Le Pen and his extreme right-wing National Front. The Gaullist commemmoration underlines how badly they still miss their leader, how little else they have themselves to offer.

At the same time, there is a widespread consensual reflex in France, which insists on the durability of the Gaullist legacy, and it is not confined to card-carrying Gaullists. In the conventional formulation, this lasting heritage consists of three key elements: De Gaulle's foreign policy; his defence policy; and the institutions of the Fifth Republic. These three elements, it is commonly said, retain all their old validity, and prove yet again the foresight and the genius of De Gaulle.

There is a curious contradiction in such claims. Manifestly, De Gaulle's genius was unique, idiosyncratic, personal and inspirational; he was a charismatic leader, not a designer of systems. Today, each of these three features of the Gaullist heritage is open to question: valuable for the circumstances of the time, but not necessarily valid today.

Take De Gaulle's foreign and defence policies, both of which were based on an extravagant assertion of the absolute primacy of national sovereignty. During De Gaulle's 10 years in power, they proved a modest tool for advancing French national interests, and a colossal instrument for promoting French national self-esteem.

Since then, however, his foreign policy has been largely abandoned, whereas the hypnotic effect of his defence doctrine is inhibiting his successors from responding pragmatically to the new realities.

If De Gaulle had come to power in time, he would almost certainly not have signed the Rome Treaty; and in 1965, he was ready to jeopardise the Community's existence.

He would not have signed the Single European Act of 1985, with all its innovations of majority voting; he would not be pressing now for the rapid conclusion of a treaty on Economic and Monetary Union; and he would not be pressing for the conclusion of a second treaty on Political Union. In short, the foreign policy pursued for the past nine years by President François Mitterrand is not the policy of De Gaulle.

The new circumstances of East-West detente and European integration manifestly call for an approach which is more liberated and more European, but France seems still to be shackled to De Gaulle's anachronistic dogmas.

The paradox of the present situation, is that the themes of patriotism and national sovereignty, once brandished so powerfully by De Gaulle, have now been taken over by Mr Jean-Marie Le Pen; and the Gaullists are so much at a loss how to answer him that they look like being on the verge of splitting three ways.

Mr Alain Carignon, the reformist mayor of Grenoble, has argued that all good republicans should line up together to defeat Le Pen; where that is the choice, Gaullists should vote for a Socialist to keep out the National Front.

For his pains, he has just been thrown out of the party.

Meanwhile, the populist wing of the Gaullist movement, led by Mr Charles Pasqua, has shown that it proposes to combat Mr Le Pen by imitating him.

These divisions provide a sharp commentary on the commemorations of the Appeal of June 18, 1940. But it is hard to be sure which is the more poignant: the nostalgic adulation of a great French statesman of another age; or the failure of his present-day acolytes to give a convincing interpretation to their inheritance.

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## WORLD TRADE NEWS

# Lucky leading S Korea's Soviet investment drive

**By John Ridding in Seoul**

LUCKY DEVELOPMENT, a subsidiary of Lucky Goldstar, one of South Korea's largest conglomerates, is to set up an electronics factory and business complex in the Soviet Union in a $380m joint venture with a Soviet company and Bechtel of the US.

These projects are the latest in a surge of investments in the Soviet Union by South Korean companies, and reflect increased trade and economic links and the improvement of diplomatic relations between the two countries.

Earlier this month, President Roh Tae Woo of South Korea and President Gorbachev agreed in principle to set up full diplomatic relations following the first meeting between leaders of the two countries.

However, President Roh warned South Korean business leaders on Monday to be cautious in their entry into the Soviet market. He said Korean business should refrain from making hasty and separate ventures in an overly competitive manner until safety measures, such as a mutual investment guarantee pact, are signed between Seoul and Moscow.

A number of South Korean companies have experienced difficulties in their trade with the Soviet Union because of delays in payments for imports resulting from the shortage of hard currency. Outstanding payments for Korean exports are estimated to exceed $30m.

The joint venture projects between Lucky, Bechtel and Izhorsky-Javod will be built in Leningrad. They will comprise a factory, costing $33m, for the manufacture of washing machines, vacuum cleaners, irons and other electrical home appliances, and a business complex comprising a hotel, apartments for foreigners and a shopping centre. The $350m business complex will cover about 110,000 sq metres.

In the electrical appliances plant, due to start operation next February, Lucky will set up the production lines and provide electrical parts and technology. Bechtel will provide engineering, management and financing expertise while Izhorsky-Javod will provide the land and domestic marketing. The output of the plant will be sold solely in the Soviet Union.

Economic links between Seoul and Moscow have grown rapidly since the warming of diplomatic relations and the introduction of economic reforms in the Soviet Union. Last year, trade doubled to $600m and analysts forecast it will exceed $1bn this year.

Analysts predict further strong growth in trade and investment links because of the complementary nature of the two economies. South Korea has strong consumer goods industries and capital for investment projects but lacks natural resources.

# Alcatel in $1bn Moscow deal

**By William Dawkins in Paris**

ALCATEL BELL, the Belgian subsidiary of Europe's largest telecommunications equipment producer, is in the final stages of negotiating to sell more than $1bn of digital telephone exchanges to the Soviet Union.

The company's parent, Paris-based Alcatel, confirmed that talks had been going on for just over a year over the export of its System 12, a new generation of digital exchanges. Negotiations have been given a lift by last week's agreement by CoCom, the Co-ordinating Committee on Multilateral Export Controls, to loosen strategic export controls on sales of a wide range of computers, machine tools and telecommunications equipment to the Soviet Union and the Warsaw pact.

This means Alcatel will no longer have to go through the burdensome and uncertain process of applying to CoCom for a licence to sell System 12 to the Soviet Union, said officials. However, CoCom controls still apply to a second important western telecommunications contract, a $500m scheme by a consortium of western companies and the Soviet Ministry of Communications, to lay high capacity fibre optic cable across the Soviet Union. Britain and the US blocked that deal on the grounds that the cable could easily be used to boost the efficiency of military communications, even though it was meant for civil use.

Alcatel refused to comment in detail on its possible Soviet deal, but it is understood to involve digital exchanges with more than 50,000 lines made in Belgium, plus local production of System 12 in the Soviet Union through a joint venture with Alcatel and several state bodies, including the Ministry of Communications. Possible production of the semiconductors used by System 12 is also under discussion.

Alcatel, 63 per cent owned by Compagnie Générale d'Electricité, the electronics and engineering group, has been among the fastest western European companies to move into eastern Europe's growing telecommunications market.

# Plan to free textile trade welcomed

**By William Dullforce in Geneva**

A PLAN by textile exporting countries to liberalise world trade in textiles and clothing has won an encouraging reception even by some importing countries, trade officials said yesterday.

The proposal by the 22-nation International Textiles and Clothing Bureau (ITCB) to the group negotiating on textiles in the Uruguay Round calls for the phasing-out of the Multi-Fibre Arrangement (MFA) currently governing the trade, and the removal of all trade restraints over six years.

Only the US and Canada, who want to replace the MFA with a system of global quotas during a 10-year transition period, were totally against the plan and now find themselves isolated.

Australia supported the thrust of the ITCB plan, but voiced doubts about introducing a special monitoring body to oversee the switch.

Even the European Community welcomed the ITCB proposal, noting that it contained points similar to those in the much more guarded proposal submitted by the EC itself.

Common elements include using the MFA instead of global quotas as the instrument for liberalisation; the list of products to be covered by (diminishing) restraints during the switch to free trade; and provision for exporting countries to manage import quotas during the transition.

# Canada cool on trade pact with Mexico

**By Bernard Simon in Toronto**

CANADA has expressed doubts about a single North American free trade pact, even if talks to dismantle trade barriers between the US and Mexico bear fruit.

Mr John Crosbie, Canada's International Trade Minister, said the most likely long-term outcome was the maintenance of the US-Canada free trade agreement, which came into force last year, alongside a US-Mexico pact.

Ottawa has expressed reservations about reports that Canada and Mexico might conclude a separate free trade agreement. Although the two countries have increased their commercial contacts in the past few months, two-way trade is a relatively modest C$2.6bn (£1bn) a year.

Mr Crosbie was briefed on Tuesday in Montreal on the US/Mexico talks by Mr Jaime Serra, the Mexican Trade Minister. With the US accounting for three-quarters of Canada's foreign trade, Ottawa will be keeping a close watch on the talks.

A Canadian official said Ottawa was concerned not to become involved in any initiative which might jeopardise progress in the Uruguay Round of multilateral trade negotiations.

# Efta pact with three E European states

**By Robert Taylor in Gothenburg**

HUNGARY, Poland and Czechoslovakia yesterday signed co-operation agreements with the European Free Trade Association (Efta). They cover trade promotions, as well as economic, industrial, technological and scientific co-operation, tourism, transport and telecommunications and environmental protection.

Joint committees are to be established between Efta and the three countries, which will meet in the autumn. One of their first tasks will be to examine the possibilities for Efta of establishing free trade areas with all of them.

Efta regards the agreements as part of its strategy of assisting eastern European countries to reform their economies. Mr Georg Reisch, Efta's Secretary-General, said that this meant future free trade arrangements would have to involve the introduction of free pricing, full currency convertibility and the recognition of private ownership. These would take some time to be realised.

Efta's links with Yugoslavia are also being developed with the creation of a $100m-strong development fund. Efta signed a co-operation agreement with Yugoslavia in 1983.

But Efta leaders are anxious to discourage any suggestion that their organisation provides an alternative to European Community membership for eastern European countries. In Mr Reisch's view, Efta's purpose is to serve as another opening into the western European market economy for the East but not a stepping-stone into the EC.

Georg Reisch: helping economic reforms

Efta leaders believe there is great potential in trade developments between Efta and east Europe. Last year, only 5.3 per cent of Efta's exports went to the eastern bloc, while 4.5 per cent of Efta's imports came from the East.

# Microchip pact partners fall out over numbers

**The US and Japan are trying to figure out a clash over statistics, writes Robert Thomson**

AFTER two days of negotiations on foreign access to Japan's semiconductor market, Mr Hiroyuki Mizuno, chairman of a Japanese chip users' committee, compared relations with US makers to his marriage. There is 90 per cent agreement on semiconductors, he said, which "is more than the 60 per cent agreement I have with my wife".

Semiconductors remain a strategic trade issue, and the success or otherwise of US chips here in coming months will heavily influence Washington's trade mood on Tokyo. But while Mr Mizuno talks of 90 per cent agreement, one of the biggest disputes between the US and Japan is over percentages.

In a semiconductor pact signed in 1986, the two countries agreed to increase the foreign share of Japan's market, but they have never really agreed on the figure. The US insists that a target of 20 per cent was fixed for August 1991, when the agreement expires, but Japan argues that 20 per cent is simply a guide and not a contractual obligation.

The two sides also disagree on the figures for present market share. The US Semiconductor Industry Association (SIA), which uses an independent survey of suppliers, says that the foreign share is 13 per cent, while Japan's Ministry of International Trade and Industry (Miti), which does its own survey of users, insists that the figure is 17 per cent.

SIA officials argue that Japan agreed to use the independent survey, the World Semiconductor Trade Statistics (WSTS), though Miti says that the two countries agreed to use both surveys as a guide until another mutually acceptable measure is finalised.

Mr Wilf Corrigan, chairman of the SIA and chief executive of LSI Logic, admits that he has added to the numbers game by telling Japanese journalists that if the Miti measure is accepted, the target figure should be 24 per cent.

The Japanese press has taken the comment as an attempt to up the ante of market share in the final year of the agreement, though he explains that the comment was merely a judgment on the "unfairness" of Miti using its own market share scale.

"Miti's use of these figures is counter-productive. It is something of a smokescreen. The fact is that we are still significantly behind the terms of the agreement. The WSTS data has been the measurement from the beginning," Mr Corrigan said.

A Miti official said the WSTS data does not count exports to Japan by US-based Japanese companies in the foreign share, though it counts chips made in Japan by US companies. Another problem is that US-made NEC chips exported to NEC in Japan are counted as Japanese, while US-made IBM chips exported to IBM Japan are not counted as part of the foreign share.

With the pact nearing its end, Mr Corrigan believes the two countries will probably have to sign a new semiconductor accord, and suggests that such agreements are likely to become more common for strategic industries.

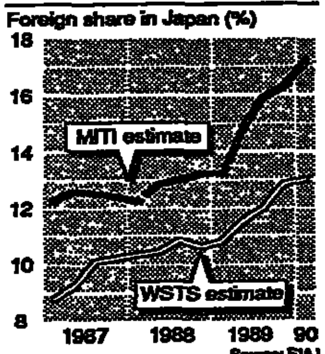
He concedes that Japanese users are more open to foreign chips and that the "atmosphere has changed" in the past year. But he argues that too little was done early in the pact, and that change has generally come from Miti's cajoling of Japanese users.

"It has been managed and probably always will be. When the US industry was a long way ahead of Japan, we had a 10 per cent share. The Japanese industry improved, and US makers still had a 10 per cent share. When we signed this agreement, the US share was still 10 per cent," he said.

Miti replies that the country has been "making every effort since the beginning" to improve market access.

**Semiconductors**

Foreign share in Japan (%)




Source: EIAJ

"In the end, the share is the result of the market's choice. There are arguments about the 20 per cent, but we can't guarantee a 20 per cent share – that decision is up to the users," the Miti official said.

The SIA agrees that the activism of Mr Mizuno and other members of the Electronics Industries Association of Japan (EIAJ) has enabled foreign chips to penetrate to "second- and third-tier companies." Last week, the Japan Auto Parts Industry Association and the SIA set up an "automotive task force" to provide information to foreign suppliers about trends in the industry.

Next month, an SIA-EIAJ committee on high-definition television will hold a Tokyo symposium at which US chip suppliers will parade their wares in the hope of convincing Japanese manufacturers to design them into new equipment.

Mr Corrigan says that these measures comprise the "90 per cent of agreement" between US suppliers and Japanese users, but the remaining 10 per cent of disagreement is substantial.

"We now have the bureaucratic processes established, but in the four years since we signed the agreement, we have only gained 3 per cent market share."

# Japanese retailer opens Y1bn suit over outlet curbs

By Robert Thomson in Tokyo

LIFE STORES, a Japanese retailer, has begun presenting its case in an unprecedented Y1bn (£3.83m) damages suit against the Government over curbs on the size of Japanese retail outlets.

The Large-scale Retail Stores Law, condemned by the US as a "structural impediment" to trade, has allowed small retailers to delay for 10 years or more the opening of large competitors. It has also limited the space allowed stores which have won building approval.

Under pressure from the US, the Japanese Government has agreed to an 18-month limit on the processing of new applications, but Life Stores said yesterday it would continue to seek compensation for the "tremendous damages" suffered over the past decade.

Life Stores claims that opposition by small retailers in Shiki, near Tokyo, forced plans to build a large store in the area to be abandoned, and that the company suffered significant losses during the 10 years of unsuccessful negotiations.

Mr Nobutsugu Shimizu, Life Stores president, told a hearing in the Tokyo District Court that the law "excessively protects" small retailers and that, despite recent changes in processing applications, it should be abolished in the interests of consumers.

Washington has agreed to see if the amendments open the way for US retailers to enter Japan, before pressing for a new law. But Japanese officials suggest the biggest barrier to retailers will continue to be the cost of land.

In the two weeks since the changes were introduced, the Ministry of International Trade and Industry (Miti) has received nine applications for new stores, none of them from foreign companies and fewer than had been expected.

Last year Miti had 791 applications for "large-scale stores", which cover more than 500 sq m. Small retailers had feared the revision would lead to a rush of applications by large retailers.

Meanwhile, the law's revision could clear the way for the Great American Mall to be exported to Japan. A Japanese consultancy has announced plans to form a joint venture with a Canadian developer to advise Japanese retailers on the centres.

# Philippine deficit widens

By Rexie Reye in Manila

THE Philippine balance of payments deficit widened sharply to $371m (£220m) in the first quarter of 1990 as the current and capital accounts reflected weaker performances, the central bank reported yesterday.

The figure represents a 40-fold decline from last year's $9m shortfall in the comparable period. Against the end-1989 balance of payments surplus, the first-quarter deficit represents a 63 per cent fall.

Despite a 400 per cent improvement in non-merchandise trade, the current account still showed a $491m deficit because of the wider trade gap and a slowdown in net inflows in the transfers account. Imports outpaced exports by 45 per cent, or $877m.

Import payments increased 27.2 per cent against last year because of higher demand for capital goods. The non-monetary capital account registered a $599m deficit due to a steep rise in payments to foreign commercial banks.

# Rival bid leaves plan for Bangkok skytrain in the air

**Roger Matthews** on a new twist in the saga of the city's urban rail network

The billion-dollar saga over an urban rail network for the heavily congested city of Bangkok has taken a bizarre twist; a new scheme and a new bidder have emerged with, it appears, strong political backing from part of the Thai cabinet.

The Council of Economic Ministers, acting in the name of the full cabinet, has given provisional approval to a $3bn (£1.77bn) scheme proposed by Hopewell Holdings of Hong Kong which could complement or perhaps replace the $1.6bn "skytrain" project for which international consortia have been bidding for more than two years.

The two schemes are promoted by different ministries. For the past two years the Ministry of the Interior has been responsible for evaluation work on the skytrain project carried out by the Expressway and Rapid Transit Authority of Thailand.

The new Hopewell project, which would involve building an elevated rail and road network over the existing tracks of the state railway system, is the brainchild of the Ministry of Transport and Communications.

Mr Montri Pongpanich, the Transport Minister, appears to have taken advantage of public and cabinet irritation at the extensive delays in awarding the skytrain contract to push forward his own scheme, which will be largely funded by the development of land currently owned by the state railway.

However, Mr Banharn Silpa-archa, the Minister of the Interior, yesterday promised that his ministry's recommendation as to which of two rival consortia should build the skytrain would be ready for cabinet scrutiny by the end of next week.

A further complication has arisen following a spate of accusations this week of corruption within the Government and counter charges which provoked the resignation on Monday of General Chavalit Yongchaiyudh as deputy Prime Minister and Minister of Defence. Gen Chavalit, who was also responsible for the Counter Corruption Commission, had stoked political fires by suggesting that some ministries might warrant investigation.

The protracted delays over skytrain and now the swift and unexpected approval for the alternative scheme might provide further material for him and for opposition parties planning a no-confidence vote in the Government later this week.

Gen Chatichai Choonhavan, the Prime Minister, may also announce a cabinet reshuffle next week on his return from the US.

He needs to placate senior military officers who were angered by attacks on Gen Chavalit by a junior government minister.

Possible changes to the Interior and Transport Ministries will be anxiously watched by all involved in the battle to build the world's largest privately-operated urban railway system.

Although the skytrain concept has been discussed for more than 20 years, real progress has only been made in the last three years. Bids were first called for the 36km scheme in September 1987. After long evaluation, independent consultants chose by a wide margin an Asia-Euro consortium headed by the experienced Leighton Contractors of Australia.

However, amid intense political lobbying, Lavalin of Canada and its partners staged a strong comeback and now appear confident of winning the contract, despite their relative lack ofexperience in building and operating mass transit systems with such heavy predicted passenger use.

The alternative state railway scheme is, by contrast, a new concept and one which has been conceived out of public opinion. It has not been accompanied by a feasibility study.

The scheme will provide 60km of elevated track and road while developing large areas of land alongside existing tracks, which run north to south and east to west across Bangkok.

Hopewell, which has carried out large projects in Hong Kong and China, was the only bidder.

Its system would have the added attraction for the Government of being able to charge lower fares as only a small part of projected revenue would come from operating the transport system.

As with skytrain, the system will be built and operated privately for 30 years before passing into state ownership.

No details have yet emerged on how the Hopewell scheme is to be funded, but there is a pledge of substantial payments to the Government once the initial eight-year construction phase is completed.

# Islamic party ousts Algerian ruling front in local poll

By Francis Ghilès in Algiers

ALGERIA'S Islamic Salvation Front (FIS) appeared to have gained an absolute majority in the first free elections since independence from France in 1962, according to initial results yesterday for the municipal and provincial polls held at the weekend.

The National Liberation Front (FLN), which has held the monopoly of power for 28 years, was beaten into second place with about one third of the vote, followed by the Rassemblement pour la Culture et la Democratie, a social democratic movement which has made a strong point of defending Berber culture.

Only 60 per cent of those entitled to vote went to the polls, and the abstention rate was higher in the coastal cities of Oran, Algiers, and Annaba. In the Berber heartland of Kabylia the call to boycott the elections by Mr Hocine Ait Ahmed, one of the few "historic" leaders of the fight for independence to retain his prestige, meant that only a quarter of the electorate cast their votes.

Mr Abassi Madani, the fundamentalist FIS leader, immediately reiterated his demand for the dissolution of parliament – not due for re-election until 1992 – but said his organisation was not anxious to oust President Chadli Bendjedid. "It is an overwhelming victory," Mr Madani told Reuters. "The FIS is ahead in an absolute majority of the country's municipalities and provinces."

Yesterday's vote amounts to a deeply felt rejection of the FLN and of the arrogance of a ruling party which in many constituencies presented candidates known to be involved in corruption and black marketeering.

Irregularities marred the voting. In many instances electors found their name missing from the roll and in some cases children voted. In many polling stations where electors could not cast their vote in secret no trace could be found of voting slips for certain parties. In Blida, near Algiers, the FIS took over the station during the count. The RCD leader, Dr Saad Saadi said yesterday that the behaviour of many officials manning the polling stations was "akin to complicity".

Attempts to reform the FLN have come to naught. By legalising the FIS, however, the president took a big risk which he may come to regret. Yesterday FIS leaders instructed their supporters not to parade their victory and although Mr Abassi Madani, their leader, is now pressing for the dissolution of the National Assembly, all of whose deputies are members of the FLN, he is taking a conciliatory line.

It remains now to be seen what the FIS will do with its victory. Those who will now run many towns have invoked the name of Allah and denounced corruption but they have offered no solution to such problems as water shortages, housing and property speculation.

Many among the more educated Algerians are fearful that the new FIS mayors will start a campaign against wine shops, cinemas and other expressions of western life. Over the past year the FIS has been no less shy than the FLN in resorting to violence and racketeering to raise funds.

Another unknown concern the future stability of the FLN. Will those in its ranks who want reform link up with the RCD and many in Mr Ait Ahmed's party? Will they be willing or able to forge a new "Presidential Party" which the head of state so desperately needs in order to mobilise Algerians and give them a measure of faith in the reforms he is trying to promote?

And a further question mark hangs over the attitude of the army. However much it may protest its wish to stay out of politics it would be surprising if it allowed Algeria to become an Islamic republic.

# Israel seeks to mute critics with UN mission

By Hugh Carnegy in Jerusalem

MR Javier Pérez de Cuéllar, the United Nations Secretary General, announced yesterday that he would send a senior envoy to Israel next week as part of a mission to the Middle East, a suggestion made by Israel itself.

The new right-wing Israeli Government proposed on Tuesday that Mr Jean-Claude Aime visit Israel – and the occupied territories – as well as other Middle Eastern countries in a move designed to head off strong Arab-led criticism of Israeli policy in the UN.

Mr Pérez de Cué llar said the Israeli proposal was a coincidence as he was already planning such a trip for Mr Aime. Mr Zehdi Terzi, the Palestine Liberation Organisation's UN observer, said the Israeli move was "a cheap, under-the-belly blow because they knew very well that the Secretary General will be sending a mission".

But Israel clearly hopes that it will deflect the call from Arab states for a special Security Council team to visit the West Bank and Gaza Strip to recommend ways of protecting the Palestinian population.

Prime Minister Yitzhak Shamir's invitation was immediately denounced as "a surrender" by one of the three far-right parties the Government depends upon for its majority in parliament.

Mr David Levy, the new Foreign Minister, said yesterday: "I will say to our friends the Americans: This is not an extremist government. It is not a government that does not want peace. It is certainly not a government that creates difficulties to torpedo peace efforts."

Moshe Arens (right) yesterday visits a Jewish settlement in the West Bank with Gen Dan Shomran, army chief of staff

But in an interview with the Jerusalem Post yesterday, Mr Shamir reverted to a hardline stance. He said negotiations on the occupied territories could only take place if there was parallel progress to wider peace agreements in the region, and said no Palestinian who did not accept the limitation of talks to autonomy for the West Bank and Gaza – as very few do – could take part.

Meanwhile, Mr Moshe Arens, the new Defence Minister, spent his first full day in office making symbolic visits to Jewish settlements in the West Bank, whose security, he said, would be among his top priorities.

On the Palestinian side, it emerged yesterday in Gaza that Islamic fundamentalists had won 15 out of 27 seats in an election for the staff council of UNWRA, the UN agency for Palestinian refugees.

● The Histadrut trade union federation, Israel's powerful centralised labour organisation, last night gave the go-ahead for a one-day general strike today to press wage claims. The strike is expected to paralyse much of industry, public offices, public transport and most banks.

# World ivory trade 'collapsing'

By Julian Ozanne in Nairobi

THE Asian ivory industry which made millions of dollars in the 1980s from carved figures, signature seals, jewellery and curios has collapsed because of declining demand and a worldwide ban on ivory trading from January, according to an expert in the trade.

At least 2,000 skilled ivory craftsmen have been laid off and several factories closed down as sales of new worked ivory has plummeted by more than 75 per cent, said Dr Esmond Bradley Martin, a consultant for the World Wildlife Fund for Nature.

Dr Martin has just had a three-month tour of the main ivory-carving centres in Asia, including Hong Kong, China, India and Taiwan, which account for 75 per cent of ivory carving. In Hong Kong traders are finding it almost impossible to dispose of stocks of 474 tons of worked and raw ivory worth more than $100m (£59m).

"There just isn't a major new market for ivory products," said Dr Martin. "The rapid collapse in consumer demand has been astounding."

In China, where there is no internal demand, sales have dropped by more than 90 per cent, he said. At the Peking Ivory Carving Factory, the world's largest, only six of the 350 carvers are still being employed and the value of production has fallen to zero from more than $2m in 1988. Two hundred tons of ivory is lying in Chinese stores.

Last October, more than 90 countries meeting at the Convention on the International Trade in Endangered Species (Cites) agreed to a global ban on international trading in elephant ivory. China and Hong Kong took out exemptions to allow them to sell their stocks.

The move was prompted by the catastrophic reduction in the African elephant population which declined from 1.3m in 1979 to an estimated 630,000 last year.

Before the ban, Japan, which is the only Asian country with a large internal demand, was the largest purchaser of raw and worked ivory, accounting for 38 per cent of all ivory. Since the Cites ban it has received no official imports of ivory, although Dr Martin believes a small quantity of smuggled worked ivory is trickling into the country from Hong Kong and Taiwan.

But the continuing high Japanese demand for *hankos*, delicately-carved signature seals for businessmen, has forced the price of ivory up to more than $500 a kg for the estimated 100 tons, or one-year's supply, of ivory in stock.

In Kenya it is believed the price for ivory paid to poachers has declined to $3-$5 a kg.

Hardline regime continues crackdown on artistic freedom

# China lowers curtain on culture

By Peter Ellingsen and Robin Pauley

SEVERAL years ago Ying Ruocheng was seen around the world as the sympathetic jailer gently reforming Pu Yi, China's last emperor, in Bertolucci's film of the same name.

Ying, as one of the country's most distinguished actors, lent a moderate face to China's then progressive Government by doubling as a vice-minister for culture, a job he relished and performed with panache and flair.

That flair is now unwelcome in China's hardline régime, and the urbane Ying has become the latest casualty of the purge that has already claimed many liberals, including Wang Meng, his former boss as Culture Minister and a well-known writer.

Like Wang, Ying has proved "too cultured" for a government that sees art only as propaganda. His dismissal was announced yesterday, along with that of fellow vice-minister Wang Jifu. Their replacements, Xu Wenbo and Chen Changben, are viewed as more orthodox and committed to the official line.

Ying had been determined to foster artistic freedom. It is surprising he has survived so long after the fall of the moderate leadership in the wake of last year's student demonstrations and the Peking massacre, particularly as Wang was an early casualty in the purge of liberals.

In a long and wide-ranging interview with the Financial Times in 1987, Ying said: "We must have creative freedom. A writer is only at his best when he writes what he wants to write and what he feels strongly about.

"We should not interfere with creative art. We can criticise but we have no right to ban a play, suppress something or artificially promote a certain style. We have done all that in the past and we are not going to repeat those mistakes.

"The party must stay out of the way of culture for the sake of creativity."

But today's hardline leaders are returning to old ideas of making the party an integral part of everything from running businesses to criticising the arts. This latest reshuffle, which includes the sacking of Chen Haosu as vice-minister for radio, film and TV, is part of a shake-up aimed at weeding out cadres said to be ideologically soft.

The shake-out comes as the party conducts a witch-hunt among its more than 40m members for liberals and those sympathetic to last year's anti-government demonstrations. Thousands of cadres are believed already to be under investigation, and Peking residents and party members are having their residential permits examined by security officials.

Yesterday's People's Daily, the party's mouthpiece, said Jiang demanded that cadres be aware of strategic socialist goals and never "yield" to deviations.

Recalling the rhetoric of a decade ago, Jiang said cadres should "spare no effort to adhere to Marxist, Leninist and Mao Zedong thought."

Ying did not meet the new standard.

# Indian marxists find little to admire in glasnost

By David Housego in New Delhi

THE Indian Communist Party (Marxist), the largest of the Indian communist movements, has published a scathing attack on President Mikhail Gorbachev's reforms in the Soviet Union and called on its members to remain loyal to the "greatness, validity and continued relevance" of Marxist-Leninism.

A 33-page resolution issued by the party's central committee condemns glasnost as encouraging reactionary forces in Eastern Europe to launch an offensive against socialism. It also blames Mr Gorbachev and other East European leaders for playing into the hands of anti-socialist forces by depicting former communist leaders as "gross embodiments of corruption – charges that so far remain unsubstantiated in many cases".

The strong criticism of Mr Gorbachev reflects the turmoil into which the CPM has been thrown by his reforms. It also comes at a time when the marxist government in Bengal – the one big Indian state the communists control – has been wooing Indian private and foreign investment as part of what are seen as increasingly liberal policies.

The CPM, which was formed in 1964 as a result of a break away from the mainstream party, is probably the largest communist movement in the non-socialist world. The official pro-Soviet Communist Party of India, has followed the Soviet line and hailed the Mr Gorbachev's reforms as "a revolution within a revolution".

The CPM has maintained its hostility to "revisionism" and still praises what the Central Committee calls the "uncontestable contribution of Joseph Stalin". The resolution, drawn up in the wake of a visit by a delegation from the CPM to the Soviet Union, China and North Korea, condemns the departure of the East European economies from the principles of central planning.

The administration of Prime Minister V.P. Singh is dependent on the support of both communist parties in parliament as well as of the right-wing Hindu BJP party.

# Tanzania stays faithful to its African socialism

## Failure to tackle tough reforms has endangered prospects for economic revival, writes **Julian Ozanne**

"WE HAVE not really gone capitalist. We are going to try to be realistic about the size of the public sector," Mr Ben Mpaka, Tanzania's Foreign Minister, recently told a group of international journalists. "That is not a repudiation of national ownership. It is just an adjustment, politically and economically. So next when we want to expand we want to do so on a more sound economic basis."

Statements like this are still widespread throughout the upper echelons of Tanzania's ministries, civil service and ruling party Chama Cha Mapinduzi. Despite the nation's economically disastrous 20-year experiment with socialism and public ownership, much of the political élite remains firmly committed to the Arusha Declaration – former President Julius Nyerere's 1967 blueprint for African Socialism.

These entrenched attitudes are threatening the country's stumbling attempts at economic reform and act as a serious brake on economic revival.

By 1986 it seemed to be widely acknowledged that Mr Nyerere's experiment had been one of the great failures in independent Africa. Real per capita income declined by 15 per cent between 1976-86, agricultural production plummetted, inflation soared and huge fiscal and external deficits were accumulated. Half the 330 companies that had been nationalised went bankrupt. Many others operated at less than 25 per cent capacity, running up huge losses and overdrafts which drained a shrinking treasury and a bankrupt banking system.

Mwinyi: blames external factors

"To have socialism you must have wealth," said Mr Jirish Chande, a Tanzanian businessman. "In Tanzania we tried to distribute wealth without creating it and therefore we only managed to distribute poverty."

After a long internal debate the Government reluctantly embarked on an Economic Reform Programme (ERP) in 1986 supported by the World Bank and the International Monetary Fund.

That programme, which committed the government to radical devaluation, increased producer prices in agriculture, freer marketing, restructuring of public enterprises, trade liberalisation and reduction of the fiscal deficit and inflation, has made some progress.

In 1989, for the third consecutive year, the economy grew at around 4 per cent. The agricultural sector has responded well to conditions such as increased producer prices, free marketing for grain and devaluation. Successful efforts were made to depreciate the Tanzanian shilling from Tsh97.2 in June 1988 to the present rate of Tsh191 to the US dollar. The budget deficit was kept to 8.3 per cent of GDP.

But growth remains fragile and highly dependent on a huge influx of foreign aid – about $900m last year – to meet a widening current account deficit estimated last year at $841m.

Tanzania has now reached a critical point in its efforts at economic reform. With continued donor support and tinkering with macroeconomic policy the economy can continue to grow moderately. But sustainable growth will require a bold and vigorous government initiative.

Policy reforms like restructuring of parastatals, privatisation, the overhaul of the financial system, rooting out corruption, civil service reform and cutting back on state intervention are fundamental if non-debt creating capital – the key to sustainable growth – is to flow. Servicing the current external debt of $5bn is a serious obstacle to growth, consuming, even after significant rescheduling, more than 50 per cent of export earnings.

But these reforms require a political commitment to challenge the deeply entrenched vested interests. In Tanzania few people believe that commitment exists.

"They have done all the easy reforms like modest devaluation, getting interest rates positive and changing producer prices, said one senior western economist. "But the Government isn't yet willing to go the whole hog and really tackle fundamental change."

In the public sector, in 1985, of the 354 parastatals audited, 165 were making losses despite preferential treatment. Most parastatals operate on huge overdrafts, with the Treasury bailing them out from time to time.

No serious government plan has been drawn up for the restructuring and privatisation of the parastatals. But parastatals, especially the agricultural marketing boards, have drained the state owned banks, some of which have as much as 70 per cent non-performing loans. Credit to the private sector is almost non-existent.

Banking reform is being studied, but the government has already ruled out the possibility of allowing foreign investment in the banking sector.

Senior Tanzanian officials, including President Ali Hassan Mwinyi, continue to blame the country's devastated economy on external factors. They also complain bitterly about IMF conditionalities, particularly further devaluation and keeping interest rates above inflation, currently running at about 27 per cent.

Capitalism and the profit motive remain taboo words among the party faithful. Ministers and party officials sneer at the prospect of foreign joint-venture agreements, dismissing them as exploitative profiteering.

In many respects Tanzanian policy makers view structural adjustment as an evil, short-term measure from which there is no escape if they are going to attract the foreign aid which is their life-line. Many long for a return to the carefree days when aid poured in without conditions and the Government pursued its socialist dreams at the expense of the rural poor.

With western donors growing increasing weary of this lack of commitment to change, the chances for an economic take-off are slim.

# Danger of big Gulf of Mexico oil spill rises

By Alan Friedman in New York

THE DANGER of a serious oil spill in the Gulf of Mexico was increasing yesterday as the US Coast Guard reported that crude oil was continuing to leak from the Mega Borg, the Norwegian supertanker which has been on fire since an explosion on Saturday.

The Coast Guard said the fire was under control but some 200,000 gallons of oil had spilled from the vessel. Strong winds were hampering efforts to contain an oil slick 15 miles long oil around the ship. It is carrying 38m gallons of oil – more than three times as much crude as was spilt last year by the Exxon Valdez off Alaska.

The Mega Borg is 57 miles from the Texan coast, but the danger of a slick coming ashore was highlighted yesterday as emergency crews went on alert along a 200-mile section of the coast. Some of the slick has come as close to the shore as 30 miles.

The Coast Guard reported that, although "under control", the fire at the stern and in the engine room of the ship was still burning. Dousing foam has not been used and salvage workers say they will not begin to try to put the ship on an even keel until the fire was completely out.

Trying to put it on an even keel – a delicate operation given the fragility of the heat-seared hull – will then be the main job. The cleansing teams will then try to transfer the ship's oil to other vessels – also a challenging manoeuvre. The danger of a spill exists in both these phases, which could take days.

The Norwegian government has scheduled a hearing at nearby Galveston to interview crew members aboard when the tanker exploded while transferring cargo to a smaller vessel. Two of the 41 crewmen died, two were missing and presumed dead, and 17 were injured, none seriously.

# Political strike stops Nicaraguan air traffic

By Tim Coone in Managua

AIR traffic controllers in Nicaragua closed the country to international flights yesterday, protesting at the dismissal of Mr Alejandro Argüello, head of the Nicaraguan Civil Aviation Authority.

The strike left hundreds of passengers stranded at various airports in Central America and elsewhere as flights to and from Nicaragua were suddenly cancelled.

If the strike is not resolved quickly, a regional economic summit, set for Guatemala tomorrow, might be postponed, with President Violeta Chamorro and her Nicaraguan delegation of ministers unable to leave the country.

The dispute is part of a political skirmish between the new US-backed government and the opposition Sandinistas over the control of certain official posts.

Mr Argüello was fired this week by Mr Jaime Icabalceta, Construction and Transport Minister.

The new minister has begun a shake-up of several state-run construction companies set up by the Sandinista administration, which stepped down in April. The dismissal of Mr Argüello is being seen as part of a policy to rid his ministry of Sandinista sympathisers.

Before the new government took over, the outgoing administration agreed with Mrs Chamorro's UNO alliance that only persons in key political positions would be removed.

The difficult of defining key political posts has led to various disputes in the past six weeks, usually resulting in a government retreat.

# US budget negotiators to step up deal search

By Peter Riddell, US Editor, in Washington

CONGRESSIONAL leaders and the Bush Administration are to step up their budget negotiations in the hope of reaching an early agreement on a multi-year package to reduce the federal deficit.

After more than a month of what has been described as a discursive seminar on the budget, Mr Richard Gephardt, Democratic minority leader in the House of Representatives, obtained the agreement of senior Administration officials that both sides would meet "night and day or weekends", from next week, in the hope of achieving a breakthrough by the end of this month.

Mr Gephardt has told the Administration that he is still aiming for a budget deal before the July 4 congressional recess, and Senator Jim Sasser, Democratic chairman of the Senate Budget Committee, has said the chances of an agreement by then are "better than 50-50."

However, Republican negotiators are sceptical about whether an early deal can be reached, given the problem of finding difficult spending cuts and new sources of revenue if even a \$45bn-\$55bn deficit reduction is to be achieved.

Until the latest attempt to speed the negotiations, there had been a growing belief that nothing would be agreed before Congress starts its August recess, and that politically tough decisions might have to be left until after the Congressional elections in early November.

Even so, there is pressure for an early deal, in part because Congress has to approve an increase in the federal government's borrowing limits by the August recess, lest it be unable to raise new debt. Some senators may delay such an increase until there is action on the deficit.

Moreover, large spending cuts across-the-board, known as sequestration, will automatically come into force by law in October unless a budget deal is agreed.

# Contesting the cost of rebuilding America

## Peter Riddell reports on growing demands for an interventionist industrial policy

THE BUSH administration, for all its pragmatic reputation, has resisted protectionism and government intervention in industry more successfully than the Reagan team, which was seen as more ideological.

However, calls for a more interventionist industrial strategy are growing. This week Rebuild America, a pro-industrial policy lobbying group, claimed that the key economic officials – Mr John Sununu, White House Chief of Staff, Mr Richard Darman, Budget Director, and Mr Michael Boskin, Chairman of the Council of Economic Advisers – have formed a "troika" adamantly opposed to Government support for industry and were "hampering" the US ability to compete.

Mr Bush argued in his introduction to the annual economic report to Congress last February: "I remain strongly opposed to any shift of industrial policy, in which the government, not the market, would pick winners and losers. Second guessing the market is the way to raise government spending and taxes, not living standards."

In practice, the administration has:

● Dropped plans for a specific strategy for development of high-definition television (HDTV) in the US, as suggested early in 1989 by Mr Robert Mosbacher, Commerce Secretary (a promised statement on technology policy has never appeared).

● Allocated \$10m to the Defence Department's High-Resolution Task Systems Task Force for HDTV research, instead of the \$100m sought.

● Limited the activities of the Defence Advanced Research Project Agency (Darpa) within the Pentagon; removed as Darpa's head Mr Craig Fields, a prominent advocate of active federal involvement with industry in developing new technology, and opposed calls for a civilian Darpa.

● Provided limited support for the Advanced Technology Programme to help research and development, and held down support for Sematech, which supports semiconductor research jointly with industry (having unsuccessfully sought to cut funding).

Darman (left) and Sununu: Opposing high federal spending

● Restricted the application of the Exon/Florio provisions on the monitoring of foreign takeovers to strict national security grounds – only one deal has been blocked – and opposed attempts to discriminate against overseas investors in the US.

● Concentrated trade policy on "market opening" negotiations rather than managed trade. The administration has done this by extending steel quotas by 2½ years, rather than four or five years sought by the industry, and by limiting Super 301 complaints against Japan (involving possible retaliation) to three areas in 1989 and not citing Japan at all this year.

Instead, the administration has said government help should be concentrated on basic scientific research too expensive for industry, such as the super-collider atom smasher, as well as the space programme. Mr Bush has talked of government working with industry "in the critical pre-competitive development stage where the basic discoveries are converted into generic technologies." Otherwise, government should help to lower the cost of capital.

This record has led to increasing complaints from the industrial policy lobby about dogmatism and complacency. The debate has been fuelled by several recent official reports, which have painted a bleak picture of the prospects for the US in electronics and advanced technologies:

● In 12 emerging technologies with projected American sales of \$350bn by 2000, the US is ahead of Japan in six, according to the Commerce Department. But, on current trends, the US is gaining in none of the sectors and losing in 10 – particularly in advanced materials, biotechnology, digital imaging technology and superconductors. The US is ahead of Europe, or at least not losing, in a majority of sectors.

● A Pentagon study of industries critical to US defence, notably semiconductors and robotics, has produced "quite disturbing" results.

● A 221-page Commerce Department report on the US electronics industry indicates that the US is in danger of losing its leading position to Japan if current relative growth rates continue.

● The US is lagging behind Japan in the development of HDTV, according to the Congressional Office of Technology Administration.

● A Pentagon advisory panel has recommended that the administration should intervene more actively to maintain American ownership of industries critical to national security.

These reports have provoked demands for what is now called an industry-led policy with Government support. In contrast with past calls for help for "sunset" industries (still there in the case of textiles), the main emphasis now is on assistance for "sunrise" sectors.

The critical point is whether government support should go beyond basic research (the administration says it should not) or also cover development, application and diffusion (as urged by prominent Democrats, electronics industry groups and a barrage of new books from industrial policy academics at the Massachusetts Institute of Technology and Harvard Business School). A new think-tank – the Economic Strategy Institute – has also been formed to challenge free trade/non-interventionist views.

Several bills have been put forward in Congress to enhance development of new technology, generally involving the creation of a civilian Darpa with matching funding. The House Democratic leaders plan to bring these ideas together in a package, providing funds for a national HDTV strategy, earmarking \$100m for a new Commerce Department programme in advanced technologies, with \$200m in loan guarantees for small businesses and exports in this area.

Legislation has also passed the House to extend the present exemption from anti-trust legislation to joint manufacturing projects as well as joint research and development. The administration backs this extension but opposes a provision in the House measure to exclude projects with more than 30 per cent foreign ownership or facilities overseas. This is only one of several anti-foreign investment proposals being considered.

The administration is firm in its opposition to anything which smacks of industrial policy. However, the debate is not over and pressures will increase if the economy slips into recession, the trade deficit with Japan increases and the Uruguay Round of multilateral trade talks produces little.

# Collor retreats from promise to sack 360,000 federal employees

By Christina Lamb in São Paulo

PRESIDENT Fernando Collor de Mello is failing to make good a pledge to dismiss 360,000 Brazilian federal civil servants by next Monday. Ministers have admitted that the number is more likely to be about 120,000.

A government promise to trim the 1.6m federal payroll by almost 25 per cent was made in April as part of Mr Collor's radical adjustment plan to halt inflation and convert the fiscal deficit of 8 per cent of gross national product into a surplus of 2 per cent.

Mr João Santana, Administration Secretary, with the job of compiling the lists of those to be dismissed, admitted yesterday that the task had proved impossible. Instead, the job cuts would be between 120,000 and 200,000.

The biggest problem has been a lack of co-operation in the bureaucracy. For instance, the Health Ministry's proposals would have ended the anti-malaria programme in northern Brazil.

Even so, to sack 120,000 or more federal employees is a brave move in a country where the bureaucracy wields great power and is an area where politicians exercise much patronage.

Mr Collor's target of 360,000 people was seen as unrealistic. Mr Fernando Jentil, managing director of NMB bank, said: "If Collor had promised 50,000 sackings and produced 120,000, everyone would have hailed that as a victory. Now it looks like a defeat."

# French unveil cross-Channel cable project

y Maurice Samuelson

ONDON could be directly onnected to the nuclear power :ations of Northern France nder a new long-distance able project outlined yesteray by Electricité de France, ne French State power utility.

It would be capable of meetg about half the maximum emand in London although in ractice its deliveries would be oread as widely as possible iroughout the country.

Britain is already EdF's bigest overseas customer, importing power through the 2,000 MegaWatt cables laid across the bed of the English Channel in the mid-1980s. Although initially designed to carry 2,000MW, the cable would be capable of significant expansion at a later stage.

Unlike the present cross-Channel link, which feeds into the British National Grid near the Kent coast, EdF believes the new connection could be extended overland as far as the southern outskirts of London.

The scheme, described yesterday by Mr Jean Bergougnoux, EdF's general manager, fits into EdF's broad strategy of expanding its electricity exports by at least 50 per cent by the turn of the century. Other EdF officials believed they could be doubled, from the present 12 per cent of EdF's overall sales to 25 per cent.

Having previously commissioned new nuclear power stations at the rate of one a year, EdF had started no new ones for the past three years, but was now hoped to build at least two more by the year 2000.

This would be 1,300 MW second generation pressurised water reactor stations. He said, France's Framatome nuclear construction company was also collaborating with Siemens of West Germany on developing a new "European" station, with a capacity of 1,000 to 1,500 MW and higher safety margins than existing plants.

3SE CONTROVERSY

# Scientists adamant on risks of beef

y Our Commodities Staff

HE GOVERMENT'S claim iat its action to combat "mad ow disease" had made British eef safe was challenged yesrday by three eminent scienists.

"If our worst fears are realed, we could virtually lose a eneration of people," one of iem, Professor Richard Lacey, rofessor of clinical microbiolgy at Leeds University, told a ommons Select Committee.

Meanwhile, the National armers' Union called for a omplete ban on animal feeds ontaining beef offal that iight be infected with bovine pongiform encephalopathy 3SE). These feeds are still eing used for pigs and poulу.

Sir Simon Gourlay, presient, said the NFU was also pressing for a tougher policy on breeding and research to keep diseases like BSE under control. He said: "We believe a proper birth-to-death record is necessary for adequate tracking of disease problems and that such a system would enable appropriate action be taken on progeny."

Dr David Clark, the shadow agriculture minister, welcomed the NFU's initiative, and said: "A united front of farmers, consumers and the Labour Party is now emerging against the Government." The NFU's latest move was "a real slap in the face for Agriculture Minister John Gummer."

Professor Lacey, who had previously issued a number of dire warnings about the risk of BSE being transmitted to humans, stood his ground at a two-hour meeting of the Agriculture Select Committee as some of the MP members questioned him aggressively and suggested he was vague, unscientific and sensationalist in his approach.

He warned the committee it was not possible to say whether or not the Government's action would be effective because the effects on humans of eating contaminated meat might not be seen for 20, 30 or 40 years.

At best there might be no effect to humans from BSE. At worst, Britain faced the development of Creutzfeldt-Jacob disease (essentially the same brain disease in humans) on a "massive scale" in 20 or 30 years.

Professor Ivor Mills, Emeritus Professor of Medicine at the University of Cambridge Clinical School, warned that it was almost inevitable that BSE would spread to pigs and told the committee that lymphoid tissues (spleen, intestines, thymus and tonsils) from all sheep and cattle should be excluded from the food chain of both animals and man, as well as the brain and spinal cord.

He and the other scientists said it was unwise for the Government to permit the use of tissue from calves under six months from affected cows.

Dr Helen Grant, a retired neuropathologist who specialised in the human brain, said meat could not be considered safe because of methods used in abattoirs.

'HE HOUSE OF COMMONS

# Ehina wins backing over breach' in Hong Kong pact

y Ivor Owen, Parliamentary Correspondent

'HINA'S claims that the draft aw permitting up to 225,000 long Kong Chinese to live in he UK breached the 1984 ccord reached by British and hinese Ministers over the uture of the colony were acked by Mr Norman Tebbit, former Conservative minis-er, in parliament last night.

He contended that in April hen he along with 79 other onservative MPs either voted gainst the British Nationality Hong Kong) Bill or abstained linisters had told the House that the Chinese Government, which will resume sovereignity over the colony in 1997, was not upset by the measure.

When Mr Peter Lloyd, Home Office Secretary, indicated dissent Mr Tebbit insisted "its no good you shaking your head", and argued that the Chinese Government was at least as likely to be right.

Mr Lloyd retorted "The Government is quite certain,and knows very well, that this measure is not in breach of the joint agreement and accord".

# Hurd urges encouragement for De Klerk's SA reforms

By Michael Holman

PRESIDENT F.W. de Klerk was "taking his political life in his hands" in his efforts to end apartheid and create a democratic South Africa, Mr Douglas Hurd, the Foreign Secretary, told the House of Commons foreign affairs committee yesterday.

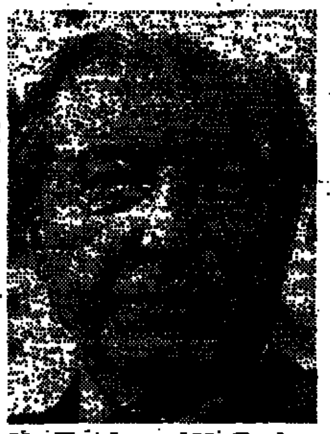
The process was "irreversible, as long as he is there," said Mr Hurd, who argued that it was important that Mr de Klerk should receive sufficient encouragement for what he was trying to do.

Mr Hurd said that British interests in South Africa included substantial investments which produced invisible earnings "of the order of £1bn per annum," and trade links made up of exports worth £1,037m last year and £885m of imports from South Africa.

In addition South Africa is the major exporter, and in some cases the sole exporter apart from the USSR, of strategic minerals such as platinum, vanadium, manganese and chrome.

## BRITAIN IN BRIEF

### Progress on Irish talks welcomed



Mrs Thatcher and Mr Charles Haughey, the Irish Taoiseach, both welcomed progress being made towards starting talks on Northern Ireland's political future when they met in London yesterday.

Officials from each Government said the two expressed pleasure at the progress being made by Mr Peter Brooke, Northern Ireland secretary, in his talks with all parties involved.

Earlier this week Mr Brooke met Mr Gerry Collins, the Irish foreign minister as part of a process of tying up loose ends in a deal which has won encouragement from Unionists, the Social Democratic and Labour Party, as well as the Irish Government. Speaking later on Channel Four television, Mr Haughey said his Government was determined to do all it could to "support and facilitate" Mr Brooke's efforts. efforts"

### 1992 boost for Ulster

The troubles in Northern Ireland were only a minor factor in international companies' decisions to close branch plants in the province in the early 1980s, according to a detailed study by the Northern Ireland Economic Research Centre.

The report says that despite a much higher rate of factory closures in the 1980s the province should be in a position to benefit from higher inward investment into the UK and labour shortages in the run up to the creation of the single European market.

About 17,900 manufacturing jobs were lost through plant closures by foreign companies operating in Northern Ireland, compared with 4,918 in Hampshire and 4,045 in Leicestershire.

### Green policies criticised

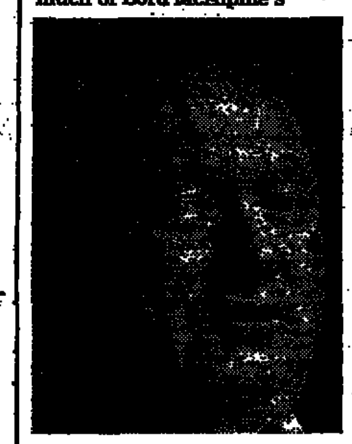
No scientific justification exists for UK plans to control emissions of the main greenhouse gas, a leading US sceptic on global warming said.

Mrs Thatcher, the Prime Minister, said last month that Britain would stabilise emissions of carbon dioxide by the year 2005, provided other countries did likewise. Several other European countries have announced their own targets.

However, Professor William Nierenberg, a leading US oceanographer and past adviser on pollution issues to the National Aeronautics and Space Administration, said the evidence did not justify these targets.

### McAlpine home bombed

A bomb blast which destroyed much of Lord McAlpine's



Lord McAlpine

Hampshire country house, has been blamed on the Irish Republican Army by the police.

It also known that a press cutting with a photograph of Lord McAlpine, until recently treasurer of the Conservative Party, was found with a hit list of prominent people at the IRA bomb factory in Clapham, south London, two years ago.

Lord McAlpine, had also been the victim of an attack by animal rights extremists five years ago said the police.

But a former activist with one of the animal rights groups which has been linked to recent bomb attacks, denied that Lord McAlpine had ever been a target.

### Unionist prime minister dies

Lord Terence O'Neill of the Maine, the former Unionist Prime Minister of Northern Ireland, died at his home in Lymington, Hampshire, aged 75. As Captain O'Neill, he was Premier from 1963 until his resignation in May 1969. His attempts to give Roman Catholics more political influence in the province brought him into conflict with his own Ulster Unionist Party on many occasions.

### ICI stands by drug

Imperial Chemical Industries said it had no intention of withdrawing one of its heart drugs, Corwin, from sale as a result of safety scares.

Britain's biggest manufacturing company said, however, that it had postponed plans to seek approval for the product in the US, the world's biggest drugs market. That was because of the need to gain more data about safety and effectivess.

### Research expanding

The government's Link scheme for backing long-range research of industrial interest had suffered from "marketing problems" but was now launching new projects at a rapidly accelerating rate, Mr. Robert Malpas, chairman of the Link steering committee, reported.

Mr. Malpas said Link's target was to launch research projects totalling £410m. by 1993, with half the funding coming from industry and half from government.

### Chemicals plant expansion

A £235m expansion of the large chemicals plant at Mossmorran in Fife is set to go ahead after the chemicals divisions of Exxon was granted outline planning permission by Fife regional council's planning committee.

The project is intended to increase Mossmorran's capacity to produce ethylene by 40 per cent to 900,000 tonnes a year, making it one of the world's largest ethylene plants.

Mossmorran, which is operated by Exxon in partnership with Royal Dutch/Shell, uses ethane gas piped from the North Sea. It was opened in 1986.

### UK hotels miss the mark

Hotels which offer soft-porn videos in rooms, trouser presses, and 24-hour room service may be failing to meet the needs of most business travellers — be they men or women.

This is the finding of a special survey, published yesterday, of over 1,000 executives (90 per cent of whom were men) carried out by Executive Travel magazine and the Businesswomen's Travel Club.

### Guinness trial

The Guinness trial is expected to today after an unexplained break. Neither lawyers in the case nor court officials were prepared to say why yesterday's sitting had been abruptly cancelled.

### Poll tax revolt

Councillors at the Labour-controlled London borough of Lambeth yesterday became the first in any British local authority to face disqualification from office for refusing to enforce fully collection of the poll-tax.

The council's Director of Finance, Mr Peter Maxted, issued Labour councillors with orders under local legislation to comply with poll-tax recovery procedures and enforce sweeping spending curbs to cope with adeepening financial crisis.

UK NEWS

Former government minister to head Cable & Wireless

# Westminster to the City: the well-trodden path

By Alison Smith

THE path through the corridors of power to the boardrooms of the City of London is becoming increasingly well-trodden, as the announcement yesterday that Lord Young is to become executive chairman of Cable & Wireless illustrates.

Lord Young's move is less surprising than that of some of his colleagues. He had a long career in business before becoming a minister, and since leaving office has scarcely maintained a role as a politician.

Though former ministers have taken private sector jobs under both Labour and Tory governments, the apparent acceleration of appointments has led to fresh questions about the ease with which the transition can be made.

There are no rules for former ministers on accepting commercial posts, but they are asked to bear in mind the need to avoid conflicts of interest.

Concern about ministers' moves to business focusses on two issues. The first is the general one of their exploiting their governmental experience to take up highly-paid jobs. The second, sharper issue is the appointment of ex-ministers to companies on which they have taken particularly important decisions while in office.

This question was revived after the 1987 general election, when Mr Norman Tebbit, the former trade and industry secretary, was appointed a non-executive director at British Telecom. Since then, Sir Norman Fowler, the former transport secretary, has been appointed a non-executive director of National Freight - privatised during his time at the department - and Mr Peter Walker, the former energy secretary who privatised British Gas, was later appointed a non-executive director of the company.

Labour's strong view already is that ministers should be subject to the rules on civil servants' post-Whitehall jobs, which can mean a two-year wait to take up business appointments.

Nor would it necessarily be easy simply to import a system of rules from elsewhere. In most European countries, and certainly in the United States, the interchange between Government and commerce is a much more familiar feature and sensitive cases at the highest levels seem relatively rare.

In France, there are no specific rules for ministers on joining companies with which they have been personally involved, but many of them are technically civil servants and so fall within the rules which prescribe a two-year waiting time for officials seeking such jobs. These has been so widely flouted, however, that they are currently under review.

In the US, where senior political figures routinely return to the companies they left to join the Government, there is a period during which they would be obliged not to handle issues they dealt with while in the Administration.

But though the United Kingdom is unusual in having more of a brick wall than a revolving door between business and politics, some adaptation of the systems which apply in other countries may yet be needed.

"These matters are better left to the discretion and good sense of the individual concerned", Lord Wilson, the former Labour Prime Minister said. But that was more than twenty years ago, and outside Westminster such a view might not now be widely shared.

C & W results; Page 15

Call for European social charter to incorporate protection against racial discrimination

# Ethnic minorities at risk in Europe, says watchdog

By Alan Pike, Social Affairs Correspondent

MEMBERS OF Britain's ethnic minorities are at risk of racial discrimination elsewhere in the EC, Mr Michael Day, chairman of the Commission for Racial Equality, said in his annual report yesterday.

The Treaty of Rome provides no protection from racial discrimination and, said Mr Day, the commission believed that any eventual Social Charter should make specific reference to racial equality.

Otherwise members of British minority communities would risk discrimination if they tried to take advantage of the Single European Market after 1992.

It was possible, said Mr Day, that people from ethnic minorities might be denied employment or face discrimination in the provision of services like hotel accommodation or transport.

These were all unlawful in the UK where the Race Relations Act, whatever reservations the commission might have about its limited powers of enforcement, was "well in advance of any other legislation in Europe."

There was an additional danger that the over-representation of ethnic minorities in unskilled, low-paid occupations might be confirmed as Britain became more accessible to a migrant European labour force.

"Investment and training for disadvantaged groups will therefore become an even higher priority."

During the 1990s, said Mr Day, Britain must concentrate on achieving equality for minority communities as a whole, not just for individuals.

"We do not want to repeat the American experience where a black man can be a convincing candidate for President, but where black and Hispanic people comprise a majority of that third of the population who feel they have insufficient stake in the system to bother voting and represent the bulk of those living below the poverty line."

Over the next few years, said Mr Day, up to 25 per cent of the 16 to 25-year-old available workforce in centres like inner London and Birmingham would be from minority communities.

The alternative to investing in their training and employment would be to "confirm the existence of an underclass, reinforced by colour differences" from which only a few of the more gifted and determined would escape.

"It is no denial of invigorating competitiveness to remove barriers of disadvantage and discrimination that bar the best talent from entering the race, let alone winning it."

The culture of many institutions must be transformed to remove the "ingrained racism" that impeded equality of access.

# British consumers sceptical about green advertising

By Alice Rawsthorn

CONSUMERS are becoming increasingly sceptical about the recent fashion for "green" advertising according to the latest report from the Advertising Standards Authority.

The growth of environmental awareness among consumers has led to a flood of "green" press television advertising in recent months, as advertising agencies have jumped on to the ecological bandwagon.

However, the latest report from the ASA, which acts as a regulatory body for the advertising industry by registering the public's complaints and criticisms about advertising, casts doubt on the accuracy of some of the new genre of "environmentally aware" advertisements.

Unilever, the giant consumer products group and one of Britain's biggest advertisers, was upbraided for a leaflet claiming that Persil and Domestos, its household cleansers, did "not damage the environment". The ASA concluded that, although the Persil and Domestos were not likely to cause damage, they could have the potential to do so.

Higgs, a furrier at Westcliff-on-Sea in Essex, was criticised for an advertisement for claiming that its real fur coats were "completely environmentally friendly" in contrast to fake furs.

British Gas changed the wording of an ad describing its product as the "earth's cleanest fuel" to the "earth's cleanest fossil fuel" after an esoteric debate over whether gas was, or was not, a greater contributor to the greenhouse effect than other fuels. It did so even though the ASA did not uphold the complaint.

The ASA censured several companies for scaremongering by accusing consumers of damaging the environment if they were *not* using their products.

Valad, a home insulation company, was criticised for a local newspaper advertisement suggesting that home owners without insulated cavity walls were "creating an environmental time-bomb" by "adding to pollution". Home Service Property Care was upbraided for claiming that the local tap water was polluted in a circular for its water purifiers.

The ASA also upheld a complaint against Powerplus, a company selling fuel management systems for cars, for not providing evidence to support its claims in an advertisement headlined "Leaded or unleaded, your car is a killer".

# EC drive towards media harmony seen as threat to freedom

By Raymond Snoddy

FT CONFERENCE

PUBLISHING INDUSTRY IN THE 90s

MOVES by the European Commission to harmonise the media could threaten hard-won freedoms in countries such as the UK, Mr Andrew Knight, executive chairman of News International told the Financial Times Publishing Conference in London yesterday.

The commission had harmonised sausages, bread and beer to stop EC members keeping each others products out.

"Now they want to harmonise the media – a more challenging idea to those of us who believe in freedom and democracy and who do not accept that a free market in media is necessarily evil," Mr Knight said.

The commission wanted to keep out Japanese innovation in areas such as high definition television by what it called "harmonisation of broadcasting technology." It also wanted to harmonise advertising in terms of tobacco, then alcohol and pharmaceuticals. In countries such as Belgium and Holland European initiatives had liberated restrictive media policies.

"But those of us in the US must be careful that our hard-won freedoms are not harmonised away from us by European compromises," the News International chairman argued.

Mr Brian Blunden, managing director of the Paper Industries Research Association warned that the new market direction for publishers would be much more research-orientated than the traditional publishing business. It would draw on a wide- range of new technologies including artificial intelligence, image and signal processing and non-impact printing technologies.

Already Japanese printing companies no longer saw themselves as exclusively paper-based information providers and are developing resources to offer multi-media supply to the publishing industry. "This must raise the probability of any break-through in technology, such as the electronic book, emerging from Japan rather than any other part of the developed world," Mr Blunden said.

Mr Jerome Rubin, chairman of the professional information and book publishing at Times Mirror said that the print-on-paper scholarly journal with its high profit margins could become an endangered species. A small sub-culture of scientists were already writing and editing on data networks creating the potential for infinite variations rather than identical multiple copies.

Mr Rubin who launched the successful legal database Lexis in 1973 forecast that the publishing of university textbooks could go the same way as journal publishing.

In future would any professor worth his salt want a mass-produced Gutenberg textbook for his classes? Mr Rubin asked.

Earlier Mr Richard Hooper a director of PA Consulting Group argued that publishers, whether print-based or electronic, will find distribution the major battlefield for competitive advantage in the 1990s.

They would also find themselves protecting their profit margins from marauders – particularly telecommunications and computer companies.

Brand repositioning

# United Distillers: from whisky galore to whisky grands crus

**Philip Rawstorne explains why the drinks group is focusing more on quality than quantity**

As consumers become more affluent, many want to spend their growing disposable income not on buying more, but on buying better products. So Anthony Tennant, Guinness chairman, told shareholders at the drinks group's recent annual meeting.

"There need be no end to the opportunities that this process offers the good marketer. Nowhere is this more true than in the strongly branded sectors in which Guinness is involved," he added.

Since Guinness acquired Distillers, with a portfolio of 150 brands of alcoholic drink, mainly Scotch whisky, in 1986, its main objective has been to organise the company in such a way that it could seize those market opportunities.

The Distillers products which it inherited included some strong premium and deluxe international brands – Johnnie Walker, Dimple, Buchanan's, Dewar's, Black & White. However, their image had been slipping for some years.

Because Distillers was organised as a federation of 12 operating companies, the brands were competing against each other, often on price, in many markets. This led to brand values being undermined and market share being lost to competitors.

Johnnie Walker Red, for instance, was being supported in Europe by seven different advertising campaigns, each delivering a different message to the consumer. In Japan, Distillers was selling 102 different brands of Scotch. "The result was that no one brand had a big enough voice to get through to the consumer," says Phil Parnell, UD's marketing director.

Guinness began by merging Distillers with Arthur Bell, the distiller acquired the previous year after a fierce takeover battle, to form United Distillers. The company was then restructured on a regional basis to sharpen the focus on its worldwide markets and its distribution network was rationalised and reorganised to secure greater marketing control of the brands.

Against that background, the task of streamlining the list of brands was started. Many secondary or cheap brands were removed from the market. The key brands – a dozen or so which accounted for 90 per cent of profits and formed the core of the business – were then repositioned.

The aim was to form two manageable portfolios of brands for each geographical market. The separate portfolios would be handled by two main distributors each handling a different mix of brands, thus segmenting the market and offering the consumer a wide choice of image and price options. Advertising and promotional support would be concentrated on each portfolio.

"There was not much dispute over which the key brands should be. They were the most profitable," says Tony Greener, UD's managing director. "The difficult issue was the positioning and the imagery of the brands, and how that was to be expressed in advertising and marketing terms."

The first stage in the process was a long and intensive international market research programme designed to elicit exactly how consumers in each market viewed the main brands.

The research showed, for example, that Johnnie Walker Red Label, the world's biggest-selling Scotch, was generally seen as a successful international traveller, masculine, extrovert and dynamic. Black Label, on the other hand, reflected a more luxurious lifestyle, dignified, cultured, and elegant.

On the basis of such findings, Parnell and his team in a central strategic unit which had been set up in London, designed a brand strategy, deciding the positioning of each brand and the core image which, with some local adaptations where necessary, the advertising was to promote.

In each market, brands were repositioned according to price and social dimension. There were three main price categories – deluxe, premium and standard, ranging from £16 to £9 a bottle in the UK. The social dimension covered extrovert, "show-off" brands on one side, and more traditional brands on the other.

Thus, in Europe, the deluxe positions were given to Johnnie Walker Black, a 12-year-old Scotch which competes with Seagram's Chivas Regal for leadership of the sector; and Dimple, a 15-year-old in a distinctive bottle, a show-off brand which is a popular choice as a gift.

A range of single malt whiskies – what Rob Hermans, who headed the European operation, likes to call "Des grands crus écossais" – were also launched into this category.

From Royal Lochnagar, distilled on the doorstep of Balmoral Castle and costing £95 a bottle, to the attractively packaged Cardhu, they are sold like fine wines. The malt sector accounts for only 4 per cent of the world Scotch market but it is growing at 10 per cent a year.

Johnnie Walker Red was positioned as the leading premium brand, and accorded a major share of the advertising and promotional support. Bell's, the leading brand in the UK portfolio, and Dewar's, which occupies that position in the US, were both given supporting roles in Europe, and sold on a more traditional image.

The real problems in terms of brand overlap, according to Hermans, came in the standard brands sector where White Horse, Black & White, Haig, and Vat 69, all with the same traditional image, were competing mainly on price.

"Here we had to do something more drastic," Hermans says. "We had to separate these brands by price and reposition them in image terms.

**In Japan, Distillers was selling 102 different brands of Scotch.**

"First we relaunched Black & White as a premium brand for the younger drinker – extrovert, social and fun-loving – in France, West Germany and Italy. The plan is to roll the programme into other countries during the next two years.

"We turned Vat 69 into a fighting brand for those countries where price sensitivity had created a large secondary and own label sector. Vat 69 gained 3.5 per cent in the Netherlands market after its repositioning and is now the number three brand.

"White Horse was given a more extrovert image, supported by promotions and sponsorship, and turned into a value-for-money retail brand. As a result, White Horse now has a 3.5 per cent share of the UK market.

"Finally, we left Haig where it was: a rather traditional Scotch at an affordable price. The brand has done reasonably well in that position and, since we sold the rights to this brand in the UK to Whyte & Mackay at the time of the Distillers takeover, it could never play a major role in our international strategy."

Of the two key portfolios for the European market, the main one – centred around Johnnie Walker and Gordon's gin – was dealt with by fast-moving consumer goods distributors "who were experts in dealing with the emerging supermarket conglomerates in Europe, says Hermans. "We set up joint ventures with Moët Hennessy, Bacardi and Boutari.

"The second part of our portfolio was centred on Dimple and Black & White. We chose more on-trade oriented organisations for this part of the range. Here we chose joint venture partners such as Underberg [in West Germany], Veuve Clicquot [in France] and Codorniu [in Spain]."

Under Phil Parnell's central direction, portfolios have been similarly put together for each of the company's other major markets as well, including the worldwide $1bn duty-free market.

In Japan, the company's leading deluxe brand is Old Parr, supported by the Johnnie Walker brands, which have suffered more than most from parallel exports, and White Horse, the leading standard. Further niches at the top end of the market have been filled by line extensions, Old Parr Superior, Johnnie Walker Gold and Oldest.

In addition, I W Harper, the biggest-selling bourbon in the country, acquired with the takeover of Schenley, the US group, has been successfully positioned as the modern, urban young person's drink.

In the US, the joint venture company formed with Moët Hennessy distributes Johnnie Walker Black and Johnnie Walker Red whiskies alongside UD's Tanqueray gin. Schenley, the wholly-owned UD subsidiary, handles a portfolio which includes Dewar's White Label, the leading Scotch in the market, Pinch (Dimple), and Gordon's gin and vodka.

In the UK market, the main brands in the core portfolio are: Bell's, to which a premium line extension, Bell's Islander, has been added, Johnnie Walker Black in the deluxe category, White Horse, Gordon's gin and the recently launched mixer, Gordon's Twist, Pimm's, and the agency brands Absolut vodka and Hennessy cognac. Rebel Yell, a bourbon with a promising brand name, is now being test-marketed.

The portfolios are designed not only to give distributors local market strength and economies of scale, but also to provide opportunities for encouraging consumers to move to the premium and deluxe products which form 70 per cent of UD's volume.

New products and line extensions have all been targeted at the luxury end of the market. Old Parr Superior in Japan, for example, is priced above vsop cognac at Y12,000 (£46).

"In the Asia/Pacific duty-free market, 60 per cent of cognac bought was more than $20 a bottle, while 60 per cent of the Scotch was below that price. Scotch had not taken advantage of that very big premium market," says Parnell.

"The range extensions are not only helping to rebuild the quality image of our own brands but that of Scotch in general."

Revitalising the image of its brands is now UD's major on-going task. The company does not publish details of its marketing expenditure but John Spicer, analyst at Kleinwort Benson, estimates that it has been increased by 50 per cent during the past two years to around £200m a year.

Virtually all the core brands have been repackaged. "Not radically changed, but nudged forward so that the design of the bottles, labels, and boxes reflects contemporary style and values," says Parnell.

UD inherited a bewildering range of packs, with the same brand sometimes on sale in five minutely-differing bottle sizes.

The repackaging – launched only after careful testing of consumer reactions – includes restoring the original fine gold wire around the Dimple bottle, accentuating the black and gold labelling of Johnnie Walker Black, ceramic bottles for Buchanan's, and an intaglio-printed label for George Dickel, UD's Tennessee whiskey brand, which is now being rolled out around the world.

A stream of new advertising campaigns, all of them constantly tracked by independent market researchers, has been launched to reinforce the brands' images. The campaigns largely reflect the "think globally, act locally" principle, with a consistent, central message being presented in slightly different ways to various national audiences.

Black Label's "moment of reflection" advertisement comes amid scenes of understated elegance and luxury in Europe. In South America, the luxury is flaunted; in Thailand, where sales rose last year by 40 per cent, the advertisements add an air of mystery.

Red Label's image of friendship and relaxation is conveyed to Portuguese consumers by scenes of a Scottish loch-side cottage at twilight; Belgians get the same values from pictures of the lighted windows of a Spanish bar.

In the UK, Gordon's, seeking to widen its appeal among younger consumers, is running a series of whacky advertisements in which a block of green, for instance, represents "a Martian sitting in a bath of mushy peas" drinking gin. In the US, it continues to emphasise its English heritage.

Rebel Yell has been launched in Australia to the sound of rock music – "Give Us a Yell".

Some ideas which have proved successful in one country are being used internationally. The Dewar's "profiles", having encouraged the aspirations of younger consumers in the eastern US by advertisements featuring local characters who happen to take a dram, are now being launched in other markets around the world.

Parnell's team has now produced a comprehensive marketing manual for each brand, setting out its market positioning, its core values, and listing the colours, typefaces, and other accoutrements in which it should be presented to consumers.

Apart from media advertising, the marketing drive includes extensive use of sponsorship – Johnnie Walker sponsored the last Ryder Cup golf match between the US and Europe, Bell's stages the Scottish Open – as well as direct promotions of all kinds from road shows to trial packs.

Some £3m has been invested in "heritage centres" for visitors to the company's *malt whisky distilleries* at Blair Athol, Cardhu, Royal Lochnagar and Oban.

Last year the results of all this activity showed through in increased market share for UD's key brands in the US, UK, and Japan, where volume sales rose 25 per cent. Profits in the duty-free market were up by 10 per cent.

That is cause for optimism, Greener says. But he adds that UD is prepared to take a longer-term view of its efforts to build the value of brands which, according to Guinness's balance sheet, at least, are already worth nearly £1.4bn.

**A stream of new advertising campaigns largely reflect the "think globally, act locally" principle with a consistent central message presented in slightly different ways to various national audiences**

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| Tokyo Mon. NH203 11:35–16:30 Moscow 17:45 → Mon. 18:25 London |
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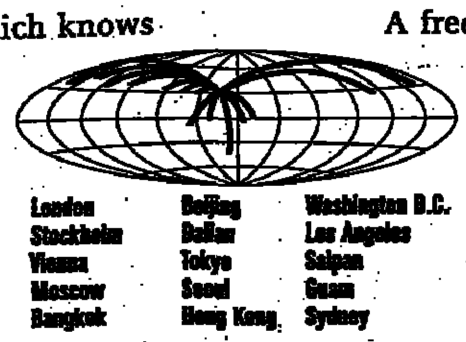


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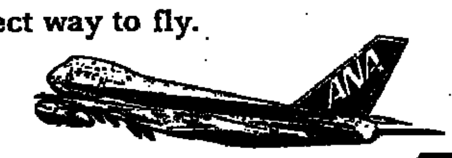

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## ARTS

### CINEMA

# The Third Man meets The Boys from Brazil

Costa-Gavras's *Music Box*, a medium-gripping thriller from the director of *Z* and *Missing*, startled everyone at the Berlin Film Festival by winning the Golden Bear. When the shock wore off, we all realised the explanation. In Germany, films dealing with Nazi atrocities are still hot enough for an international jury to be singed by the warmth of local response.

Further to warm up the Teutons, this American-set film stars Fassbinder veteran Armin Mueller-Stahl, smoke-haired star of *Lola* and *Veronika Voss*. He plays the Hungarian immigrant living in Chicago who is suddenly threatened with extradition. Charge: he committed atrocities for the SS during the Second World War.

Will he agree to be defended by his lawyer daughter Jessica Lange? (Ah, something for non-German audiences at last.) Why, of course. She knows her father could not have tortured or toasted anyone. And her flashing eyes, fetching teeth and cover-girl cheekbones will roll any jury over; even when Miss L. here playing a divorcee with one child, is given a frizz-haired, been-through-the-mill look that at times resembles real life. (A commodity unknown in Hollywood, but then Costa-Gavras was born in Greece and has lived and worked in France).

In the thick of parliamentary wranglings in Britain over what to do with the war criminals in our midst (if any), here is a movie timed to tickle our moral and emotional antennae. Scripted by Joe Estzerhas of *Jagged Edge*, *Music Box* spends half its span in the courtroom and excels there. Witnesses bare their fears in close-up; tinder-box tensions flame out in sudden tantrums; and one accepts with mouth agog even the implausibly unequal performances of the rival lawyers. (In one sequence I counted the number of successful "Objection, your honours" on each side. The score: Lange seven, prosecutor Frederic Forrest one. Perry Mason, thou shouldst be living . . .)

Jessica Lange in 'Music Box'

Later scenes lose the crackling claustrophobia of the courtroom, as we pack our bags and fly off to Hungary. Miss Lange has begun to wonder if her father is innocent after all, and so have we. Old friends, old photos and an old music box may reveal all.

But this is old conspiracy kitsch. We could be watching "*The Third Man* meets *The Boys From Brazil*" as we move about Europe trying to piece together a jigsaw whose final picture we already know or surmise. We feel three steps ahead of Miss Lange even when she launches into her big dramatic climax with Dad back home. Anger, reproaches, jagged grief: but the histrionics are too planted and predictable. Beneath the sound of parental guilt rending daughterly loyalty, we hear the less Sophoclean but scarcely less atavistic sound of an actress crying "Gimme an Oscar."

★

French director Eric Rohmer studies human beings — at home, work and play — as a birdwatcher studies birds. The director's chair is his hide; the camera his binoculars. And his ability to share out Rohmerian characteristics (irony, rueful wit, table-talk literacy) between himself and his cast is his form of camouflage.

With the watcher thus equipped, hours of patient vigil may produce a few seemingly minor sightings or behavioural insights. At the end of the slow, exquisite *A Tale Of Springtime* those unsympathetic to ornithology will cry: "We have sat here for 1¼ hours and all we have seen is a couple of mating rituals and some nest-building squabbles. God help us. Pass the Arnold Schwarzenegger video."

Storywise, Rohmer's new film, the first in a planned series of "Tales of the Four Seasons," is indeed minimal. Philosophy teacher Jeanne (Anne Teyssedre) befriends music student Natasha (Florence Darel) and meets Natasha's father Igor (Hugues Quester) and his young mistress Eve (Eloise Bennett). As the plot hops about between Paris and a country home awash with cherry blossom, Jeanne witnesses the little dramas of spite, jealousy and (excessive) family devotion.

Will Natasha mend her jealous attitude towards Eve, which boils up alike in discussions of Kant at the dinner table and in quarrels over whether one should peel potatoes while smoking a cigarette? Will Igor make a play for Jeanne? Will Jeanne respond? Oh, and there is that little business of the missing necklace too.

But basically the characters just talk. Poised against the floral wallpaper or afloat in the blossomy gardens, they gabble their ingenuous profundities and talk whole dramas of the mind and heart. At the heart of this Rohmer tale is the theme of emotional space. While cool and crystalline Jeanne seeks an escape from all territorial imperatives — she has the keys to two flats but lives in neither — headstrong Natasha tramples on everyone's flowerbeds. And late on, the film-maker hands us binoculars so we can watch seducer Igor prowl around Jeanne in ever diminishing circles until the moment comes to pounce.

Rohmer the naturalist can also — but wittily, never ponderously — be Rohmer the symbolist. In a film where

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|---|
| MUSIC BOX<br>**Costa-Gavras** |
| A TALE OF SPRINGTIME<br>**Eric Rohmer** |
| TREASURE ISLAND<br>**Fraser Heston** |
| PHANTOM OF THE OPERA<br>**Dwight H. Little** |
| MISS FIRECRACKER<br>**Thomas Schlamme** |

clothes, colours and props each tell their different stories, nothing is pithier than the scene where Natasha shows Jeanne a freak design detail in her father's dining-room. Four obelisk-like posts, built by an eccentric ex-boyfriend of her mother's, surround the table. They are bizarre, unyielding and pointless. They cannot be removed because they are sunk deep into the floor. They remind us of human relationships themselves, and the immovable, illogical parameters we set around them.

Acted with dazzling freshness by the usual Rohmer semi-unknowns — Mlle Darel outstanding as a Natasha part brat, part Sphinx — *A Tale Of Springtime* is a comedy of the heart with many a pungent message for the mind.

★

We never expected to see Charlton Heston don a parrot and Penzance accent to play Long John Silver. But all things come to the critic who waits. In *Treasure Island*, the latest film of R. L. Stevenson's pirate yarn, we are impressed by both Mr Heston and his parrot.

Ten out of ten for the way the bird pecks intelligently at the side of his master's head, intrigued by the unusual Cornish sounds emanating from it. And top marks for Mr H too. Though garnering a giggle on his one-legged, "Aharrh"-ing entry, he soon commands respect. His Silver is not just a re-heated Robert Newton but a crafty, commanding rogue with a bronzed burr of a voice and crocodile jaws. Heston's teeth could snap an enemy in two without assistance from any other body part.

The rest of the film, written and directed by Heston's son Fraser, fails to match up to Dad. Lumbering through the oft-told tale with all the visual élan of a Spanish Main travel video, it throws an array of combustible actors at the scenery in the hope that something will ignite. Little does. Oliver Reed snarls bravely as a Glaswegian Billy Bones, Christopher Lee curses as Blind Pew and Richard Johnson overacts something rotten as Squire Trelawney.

*The Phantom Of The Opera* is the latest and lamest outing for the Gaston Leroux workhorse. No A. L. Webber tunes, just a piping heroine, a potty villain (played by Nightmare On Elm *Street*'s Robert Englund) and a script that runs to such deathless lines as "How weird! Composer by day, serial killer by night" Dwight H Little directs. Menahem Golan — ex-phantom of the British film industry, still stalking the corridors of celluloid — is the executive producer.

*Miss Firecracker*, directed by Thomas Schlamme from Beth Henley's adaptation of her own stage play, is the true horror of the week. Holly Hunter, squeaking and fizzing as if someone has lit her blue touch-paper before she is ready, plays a Southern belle trying to make it big in Yazoo City. Will her scarlet dress and tap-dancing routine win the yearly talent contest? Will ex-Miss Firecracker Mary Steenburgen and mad cousin Tim Robbins help her? And other such questions. The only one we ask is: Will the determinedly madcap characters ever stop capering and screaming? For addicts of Southern Gothic only.

**Nigel Andrews**

Alastair Muir

Felicity Kendal and Kevin McNally

# Hidden Laughter

**VAUDEVILLE THEATRE**

There is nothing much to laugh about in Simon Gray's latest play, although the giggles do come — in a trickle swelling to a nervous gush as he disburdens himself of the familiar glancing wit in a first act that seems to plough a rudderless course through the doubts and diminutions of modern life. His setting is a holiday cottage, bought after a brief opening scene's viewing by Harry and Louise, literary agent and wife whose model 2.4 family enfolds two children and a father-in-law who is almost, but not quite, all there.

The garden of their "Little Paradise" is lovingly tended by the local vicar, in what passes for pastoral devotion in a Godless age. We are in the domain, then, of a broken faith and dissipated morality which is clearly centred in the heartland of the institutional Church — the middle-class English family.

No-one could accuse Gray of fudging what he perceives as the issues. His attack on the vicar — a lost soul but a good one, affectionately played by Peter Barkworth — is secondary to his assault on the working mother. Louise is a worrier who sublimates her fears in works of fiction rejoicing in titles like "Roses are White", allowing her husband to pursue his extra-marital affairs and her daughter to run wild.

It may be old hat to accuse Gray of misogyny but it is hard to see how else to regard his portrait of this cliché-pedlar, who, winsomely though she is played by Felicity Kendal, is not even accorded the dignity of a genuine artistic talent to counterbalance her inadequacies as the font of family unity; who does not have the commonsense to ring for a doctor when her son is bleeding to death; and who comforts herself with transparent platitudes about understanding life through fiction. "Real," valuable work, it seems, the preserve of men — even objectionable ones who insist on titles like "Bugger all" and who fight with elderly vicars on country lawns (as Sam Dastor, as a visiting novelist, is called on to do in a memorable scene).

To his credit, Gray partially acknowledges the injustice of other people's condemnation (and Louise is roundly condemned — first by her daughter and later by her husband, to whom the clatter of her typewriter assumes the menace of a death rattle). To his credit, too, it is to Louise that he gives centre-stage rather than to his more usual subject, the middle-aged man. Kevin McNally, a striking Gray look-alike, has relatively little to do other than to go greyer around the sideburns as the evening progresses.

But it is for the vicar that the author, who also directs, reserves his compassion: marooned by his crisis of faith, overburdened by a simple, unspectacular goodness. Ronnie is nevertheless a shoulder to all the world, whose obligations are taken for granted and whose needs are ignored by a society whose cardinal sin is its monumental selfishness.

**Claire Armitstead**

# English Baroque Soloists

**QUEEN ELIZABETH HALL**

While the singers of the "Mozart Encounter" were having the night off from their operatic duties, players from the English Baroque Soloists filled in on Tuesday with an attractive programme of music for wind. The hall was well filled, suggesting that some of the audience may have been carried over from the *Idomeneo* of a few nights before, which had received an enthusiastic reception.

In some circumstances it might seem to be chancing fate to devise a concert that would throw the spotlight so relentlessly on wind players using period instruments. But the musicians who make up the wind section of the English Baroque Soloists have a high reputation and there was barely a moment throughout this evening when intonation or any other technical problem intruded to fleck the enjoyment of spotlessly fine music-making.

The main work on the programme was the C Minor Serenade, K. 388, skilfully played at every turn. There was much to enjoy here, especially in the clear textures that period instruments allow, with horns lighter and more incisive than usual. The menacing first movement might have benefited from a touch more drama, but it was only with the finale that the pace seriously began to flag, robbing the music of its high spirits.

Even there, however, one could marvel at the versatility of some of the solo contributions. The first oboe of Anthony Robson was particularly impressive and deserved the opening spot of the evening, when he had led a performance of the Oboe Quartet. Altogether he produces a marvellous range of sound, from the piercing quality that will dominate any ensemble to a docile, soft singing line when the edge on the tone has to be tamed.

In between came the A Major Flute Quartet, K. 298, with Janet See the soloist. Fine playing again, the flute sounding so mellow that one can appreciate better why Mozart is said to have found the sound of the instrument too sad for his own taste. I do wonder, though, whether chamber playing as intimate in scale as this carries effectively to the back of a hall the size of the QEH.

**Richard Fairman**

# 'Two Magpies' on the East Coast

There have been two East Coast performances this year of Rossini's *La gazza ladra*, both in them in the new critical edition by Alberto Zedda, published by Ricordi. The first was a concert version, given in New York's Town Hall by a group called the Pala Opera Association. It had been carefully prepared. Although there were no vocal virtuosi in the cast, there had evidently been hard, loving thought about the piece and loving ensemble rehearsal.

Zedda calls *Gazza* one of Rossini's three "testament" operas, pieces marked by "inordinate length" and a near-absence of self-borrowings. The other two are *Semiramide* (1823), which crowns the run of Italian *opera serie*, and *Guillaumne Tell* (1829), in the composer finally "worked the urge to research and experiment out of his system." *La gazza ladra* (1817), composed for La Scala, represents the climax of his Mozartian mingling of comic and serious elements. The Pala performance, uncut except in the recitatives (which are not by Rossini), ran for over three and a half hours.

It nearly becomes very serious. The serving girl Ninetta is accused of stealing a silver spoon. The scene of her trial is as imposing as that in *Anna Bolena*, and it is followed by a near-Mahlerian March to the Scaffold. In the nick of time, the real culprit, the thieving magpie, is discovered, and all can end happily. Lightness and grandeur are held in happy balance. The libretto is based on a French play, and that in turn was apparently based on a real-life case in which an innocent maidservant was executed for stealing a spoon. There is an unusually large cast, and everyone gets something to sing. Instead of opera-seria hierarchy, we have an animated and not uncritical picture of a small-town community.

At the Pala performance, Kati Guerra was a fluent, winning Ninetta, Donna Stephenson a neat Pippo, and Abram Morales an incisive Giannetto. Then the opera was staged — the first American staging this century — by the Opera Company of Philadelphia, for two performances in the fine old Academy of Music, which was modelled on La Scala. Again the score was almost uncut. There was a gimmick: James Galway was billed in the title role. (In the event, he was ill, and Mrs. Galway took his place.) Silly idea: the magpie has nothing to sing except a squawk or two of "Ninetta" and "Pippo." A mechanical magpie, fluttering in to pick up and make off with the spoon, provides simple pleasure in ingenious stage contrivance; a mere human being in bird costume doing so is too easy. Otherwise, the production was blessedly "straight." The adventurous company has been in financial trouble lately, and so one passed a lenient eye over decor that seemed to consist mainly of burlap hangings.

The outstanding performers were the Ninetta, Anna Caterina Antonacci, a young Italian soprano making her American debut, and the conductor, Stephen Mercurio. I thought him the best Rossini conductor I have heard in years — since Beecham and Vittorio Gui, superior to any brought forward at the Pesaro Festival. Rossini's orchestra lines are peppered, on page after page, with *pianissimo* and *sottovoce*, often emphasised by *col punto d'arco*. Modern instruments are more powerful than those of his day, so conductors have to be doubly careful to obtain light accompaniment. Timothy Lindberg, the Pala conductor, wasn't bad. He had a good sense of pace and proportion. But the playing was too thick and "rich" in tone.

The Philadelphia playing under Mercurio was transparent, witty, captivating, spirited, yet grand where it needed to be. No detail was scamped, and everything was rendered with lightness and grace.

**Andrew Porter**

# Of Mice and Men

**BIRMINGHAM REPERTORY THEATRE**

Steinbeck's play is a tragedy of failed hopes. George (Jeremy Flynn) believes he can keep half-witted Lennie out of trouble, though we are shown little reason why he should take such pains; any suggestion of a family or sexual connection is avoided. They work together at casual labour on California ranches, and George imagines a modest haven, a few acres, a little livestock, where they can settle when they have money. He probably does not believe in it, but it contents Lennie.

Lennie (Clive Mantle, a head taller than Flynn) is too dim for any ambition but to tend the rabbits on this land. He is a big, strong man, a useful worker, but he has a handicap. He "likes to pat nice things with his fingers," and if they struggle, they die.

Among the workers on the ranch where they have temporary work, they persuade Candy (Nick Simons) to join them in their quest, and he will contribute his $300 savings. Of the others on the ranch, only the boss's new daughter-in-law (Louise Yates, allowed no name but "Curley's wife"), has a viable ambition. She wants to go to Hollywood and be a film-star. But she is married to Curley (John Dougall), the boss's quarrelsome son.

The play, dramatised from Steinbeck's novel by George S.Kaufman, deals only with George and Lennie's problems. Even Candy (whose mangy dog takes a curtain-call with the rest of the company) lacks any but a decorative function. The plot's course is perhaps too easy to predict. In the first scene, Lennie has killed a mouse that he had been petting. Later he kills a puppy that he had hoped to keep as a pet. Once we have seen the friendly attitude of Curley's wife, which the hands naturally misunderstood as sexy, we have only to wait for the inevitable climax. Talking with Lennie in the barn, she foolishly invites him to stroke her hair.

It is George rather than Curley or any of the hands who shoots Lennie, to save him from lynching, the others having been discreetly led to the wrong place. This is a suitably theatrical way to bring down the curtain, but it emphasises the element of melodrama. The play is a typical novel-adaptation, using much material from the book that does not help the plot along.

All the same, Anthony Clark's direction is lively throughout a long evening, making the most of the enormous stage; and the company can mostly convince us that they are migrant workers in California in the 1930s. Besides those whom I have named, I much liked Tyrone Higgins as Crooks, deprived of white company, as any black would have been in those days.

Kate Burnett designed the simple yet powerful sets, a pictorial bunk-house and barn at the ranch but a symbolic sky over the open land, a pattern of quadrilaterals that change colour to indicate the time of day. I would love to know what those Three Graces were doing high on the barn wall.

**B.A. Young**

## ARTS GUIDE

June 8-14

EXHIBITIONS

**London**

The Royal Academy. The 222nd Summer Exhibition — the oldest established open submission exhibition in the world, it covers the broader centre ground of professional British art. Daily until August 19: sponsored by the Dai-Ichi Kangyo Bank.
The Tate Gallery. On Classic Ground — a large exhibition devoted to French, Italian and Spanish art of the first four decades of the century. It includes work by Matisse, Picasso, Braque. Until September 2: sponsored by Reed International.
The Tate Gallery. The entire permanent collection has been rehung in a curatorial triumph.
The Royal Academy. Modern Masters from the Gelman Collection — a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earliest Picasso to Picasso the old man, by way of all the great names of the School of Paris. Until July 15; sponsored by Guinness.

**Paris**

Carte musées et monuments sold in museums and metro station-senable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Galerie Schmit. French masters of the 19th and 20th century. An impressive collection of paintings including works by Pissarro, Degas, Delacroix, Cezanne, Gauguin, Manet, Monet, Renoir and Picasso. 396, Rue Saint-Honoré, closed Sundays and lunchtime, ends July 18 (42603636).
**Galerie d'Art Saint Honoré.** A Flemish 15th century retable. Around a large-sized 15th century Adoration of the Magi painted by an anonymous artist who combined to great effect northern realism with more than a dash of Italian mannerism, Monika Kruch assembled other works of religious inspiration. 267 Rue Saint Honoré (42601503), open Mon-Fri. Ends Sept 15.
**Galerie Odermatt-Cazeau.** 19th and 20th Century Masters. A thread of excellence runs through the exhibition, which begins with the impressionists. Ends July 28 (42669258).
**Musée Carnavalet.** Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).
**Musée d'art Moderne de la Ville de Paris.** Kees Van Dongen. 182 works retrace the career of the painter who, as one of the Fauves, enjoys provoking the public with daring juxtapositions of violent colours, charcoal contours and green shadows. 11, Ave President Wilson, Closed Mon. Ends June 17 (47236127).
**Grand Palais.** Pre-Columbian art in Mexico (1500BC – AD1521). Closed Tue, late closing Wed. Ends July 30 (42895410).

**Brussels**

**Isy Brachot.** Portrait of the Pace gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.
**Musée d'Ixelles.** 71 Rue Jean Van Volsem. La Poetique des Peintres Italiens a l'Aube du XXe Siècle. Closed Monday.
**Musée Wellington-Waterloo.** Inedits sur Waterloo commemorates the 175th anniversary of the Battle of Waterloo. Daily ends July 31.

**Antwerp**

**Anthony Caro:** monumental sculptures. Huis Osterrieth, 85 Meir. Closed Sun, ends June 22.
**Rembrandt Bugatti and Belgian Animal sculpture (1860-1930).** Closed Monday, ends July 29. Hessenhuis, 53 Falconrui.

**Rome**

**Braccio di Carlo Magno in Piazza San Pietro:** Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year project by Vatican restorers on the ceiling of the Sistine Chapel. Remarkable for the exceptionally generous opening hours (open every day except Wed and on Sat from 9.30am to 11.00am) and handsome catalogue, as well as a rich collection of drawings by Raphael, Rubens, Annibale Carracci, showing clearly Michelangelo's powerful influence, the exhibition also carefully documents the techniques used by the restorer. Ends July 10.
**Palazzo Venezia:** Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of popes, cardinals and the Roman aristocracy in the area stretching south of Rome, once known as the Campagna Romana.
**Villa Medici.** Henri Cartier-Bresson. Not only a selection of photographs from various stages in his long career, but 100 or so drawings. Ends June 22.

**Bologna**

**Galleria d'arte Moderna.** Giorgio Morandi retrospective. Over 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2.

**Mannheim**

**Städtische Kunsthalle,** Moltkestr. 9. Emile Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

**Darmstadt**

**Mathildenhöhe.** Duke Ernst Ludwig, who ruled between 1892 and 1918, instituted the Mathildenhöhe's arts centre Künstlerkolonie. One of seven buildings by architect Maria Ulbrich, called Ernst-Ludwig Haus, it was damaged during the war. Now after a total reconstruction it opens its doors in its original function as a Jugendstil museum.

**Munich**

**Kunsthalle der Hypo-Kultur-Stiftung,** Theatinerstr. 15. Joan Miro. A collection of scurrilous sculptures and previously unpublished drawings by Miro. will be on display until June 17.

**Madrid**

**Museo del Prado.** Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Ends July 30.
**Fundacion Caja de Pensiones.** Georg Baselitz. Exhibition of this German artist's 1980's production. Ends July 15.

**Barcelona**

**Fundacion Caja de Pensiones.** Edwuard Ruscha retrospective. Clear exponent of the latest artistic developments of the west coast of the United States. Closed Mon. Ends July 15.

**New York**

**New York Public Library.** More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books. Ends Sept 15.
**Museum of Modern Art.** The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon.
**Metropolitan Museum of Art:** The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums, covers Poussin to Matisse. Ends July 29

**Washington**

**National Gallery.** More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific. Ends Sept 3.
**National Gallery.** More than 10 media are included in the major show of 112 of Jasper Johns's drawings over 35 years. Ends July 29.
**National Museum of African Art.** The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.
**National Museum of Women in the Arts.** The first major retrospective of the work of Dame Elizabeth Frink. Ends July 4.

**Chicago**

**Chicago Historical Society.** The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. **Chicago Historical Society.** A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.
**Art Institute.** Before going to the Royal Academy in London, Chicago gets to see Monet's series paintings, all from the 1890s.

**Tokyo**

**Idemitsu Museum.** Oriental Ceramics from the Topkapi Palace, Istanbul. The Topkapi's huge ceramic collection is especially strong in pieces from China and Japan chosen for this exhibition, which marks the 100th anniversary of Turko-Japanese relations. Closed Mondays.
**Sogetsu Gallery & Hall.** Yoko Ono. Her first exhibition in Tokyo in more than two decades: mainly sculptures and works in paper.

# A Grand Tour around Grosvenor House

It is rare to find the rich queuing, but there they were, lined up outside the Grosvenor House Antiques Fair yesterday morning. For anyone with the odd thousand, and ideally the odd million, to spend, this was the place to be. At the gala reception last night the 90 odd dealers were hoping that wallets would be loosened enough to shift a fair proportion of the £150m worth of antiques on offer. Given the comatose state of the middle and lower end of the market everything depends on the international rich to hold faith with the long term value, in both aesthetic and financial terms, of antiques.

Certainly Grosvenor House has never looked better and can claim with confidence to be the finest art fair in the world. For a start it is now more international, not only because a few foreign dealers have been allowed in; not just because this year's theme "The Grand Tour" has been enthusiastically taken up by exhibitors: but because the works of art on offer seem to be of a quality to cross frontiers.

This is reflected in their prices. The sensation is the "Fata Morgana," the marble of a white goddess now securely attributed to Giambologna, which Alex Wengraff has priced at £6.9m. It was acquired at Christie's for £715,000 last year but no one begrudges a dealer spotting a wrongly attributed lot from making a killing.

The same might be said of R.A. Lee, who won an award for the "Best Interpretation of the Fair's Theme" by offering a Roman mosaic panel of a group of fish, presented by Pope Gregory XVI to Sir Edward Thomason in 1832. It was under appreciated at Christie's, which placed a low estimate on it and was pleasantly amazed when it sold for almost £400,000. It is now on offer at double the price.

On the same stand is a feature of the Fair, a white lacquer bureau, with oriental decoration, priced at £1.3m. White lacquer is exceptionally rare and this example of around 1715 would enhance any room. By coincidence Apter-Fredericks is selling a slightly earlier green lacquer cabinet, rare but not quite so rare, for £450,000.

Staying with mega prices Armitage has a small case filled with silver priced at over £3.5m; a 1670 Sicilian table fountain valued at £1.8m; and six silver sconces from Dunham Massey which set an auction record when they made £1.155m at Sotheby's last month. They will now cost you £1.65m. But there are cheaper things on offer if you can afford more than gawping.

*Antony Thorncroft*

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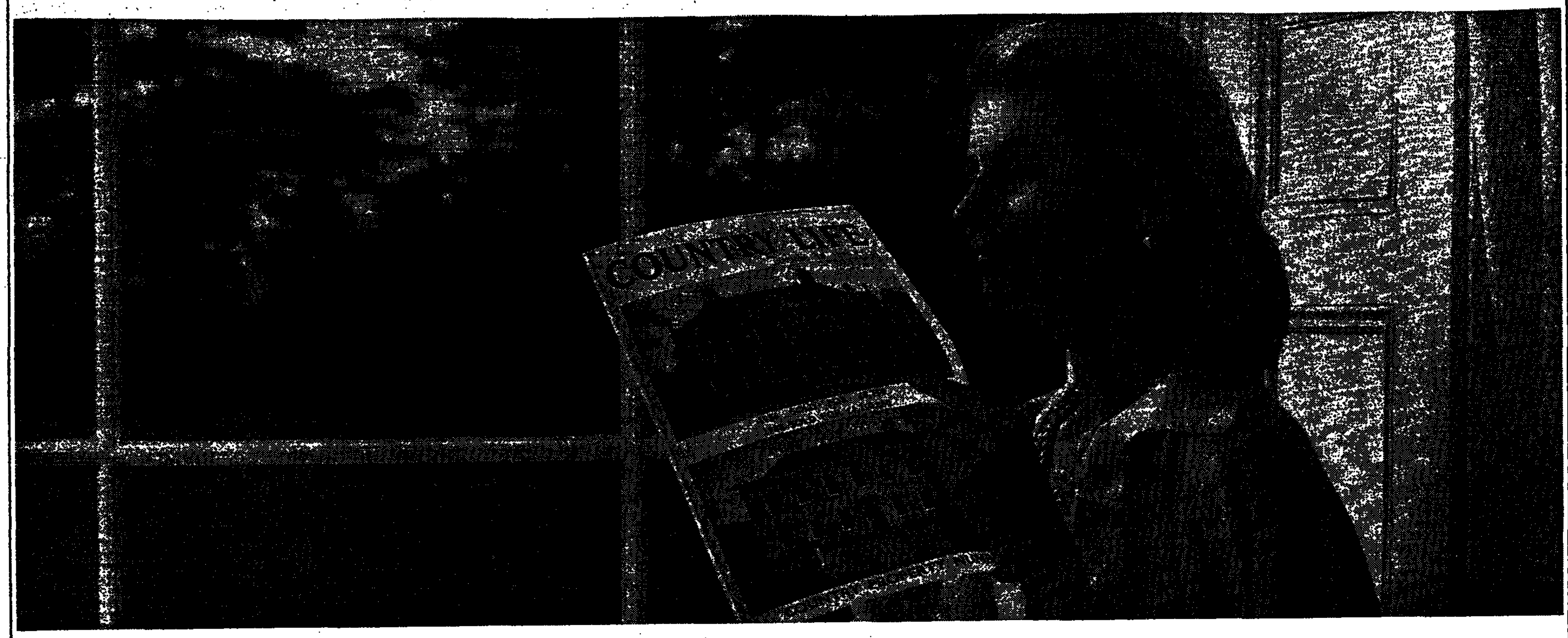


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# FINANCIAL TIMES

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## Bush's Israeli burden

THE BEST that can be said for Mr Yitzhak Shamir's new government in Israel is that the country's hardliners, after six years of indecisive coalition rule, have put their cards on the table and will have to live with the consequences of playing them.

The government's official policy guidelines make it plain that the security forces will try to crush the Palestinian uprising; that the authorities will encourage Jewish settlement in the occupied West Bank and Gaza; and that Israel will refuse to negotiate with the group which represents the views of most Palestinians, the Palestine Liberation Organisation. It goes without saying that the government opposes the idea of a Palestinian state and that it regards Jerusalem, including the Arab half of the city annexed after the 1967 war, as the eternal and indivisible capital of Israel. Mr Shamir has now gone further even than these guidelines, re-emphasising hardline positions which American and Egyptian diplomats had attempted to circumvent during months of painstaking negotiations with the previous government.

Israel's stance is a challenge to the US administration, which deplores both Mr Shamir's belligerent attitude and his policies on the Palestinian issue, but continues to regard Israel as a valuable ally and provides it with an annual $3bn in aid. If Washington fails to resist the demands of Mr Shamir and his more extremist supporters it should not be surprised to find the Arab world dispirited and dangerous.

Egypt, America's other main Middle East ally, is struggling to make its moderate views heard. Mr Yassir Arafat, the PLO leader, is under fire from Palestinian radicals. The Soviet Union, traditional supporter of the Arab cause, has threatened weakly to curb Soviet Jewish immigration to Israel if the immigrants are settled in the occupied territories, but few people believe Mr Gorbachev will carry out such a threat. With the diplomatic avenues closed, the Arabs are left with very few cards of their own to play. That is why Palestinian extremists are talking of terrorism, Arab leaders are using the word "war" with greater frequency, and some Arabs are even toying once again with the idea of the oil weapon against the West.

President Bush and Mr James Baker, his Secretary of State, must now try to keep Mr Shamir's government under control while hoping fervently that it will collapse. But the US Administration's task has been made doubly difficult by the PLO's unerring ability to shoot itself in the foot. Last month's failed commando raid on Israeli beaches by a small PLO faction allowed Mr Shamir to argue that the US should end its "dialogue" with the PLO immediately because the talks are conditional on a renunciation of terrorism.

Mr Bush and Mr Baker, under intense pressure from their European allies to keep the peace process alive, have waited two weeks for Mr Arafat to condemn the raid. Mr Arafat, dismayed by the lack of gains from the dialogue so far, has not yet done so. The US may therefore feel obliged to end or suspend the PLO talks. Whether it does so or not, the Administration should make it clear to Israel that it is not prepared to subsidise indefinitely, to such a great extent, a country which so wilfully acts against US interests. Mr Baker's unusually harsh criticism of Israel to the House Foreign Affairs Committee yesterday - he gave out the White House telephone number and told Israel to call when it was serious about peace - is a welcome beginning.

## New jobs for ex-ministers

THE fuss over Lord Young's appointment as executive chairman of Cable and Wireless is overdone. It is right that prime ministers should be free to appoint businessmen to senior ministerial posts and that they should return to industry later; such interchange should be more rather than less frequent. Equally, there is no reason why ex-ministers who have been professional politicians, such as Mr Peter Walker or Sir Norman Fowler, should not take directorships in companies with which they had dealings while in government.

There are suggestions that ex-ministers may make improper use of knowledge acquired in government to the advantage of their employers. Yet it is hard to see how the ability of Cable and Wireless to secure favours from the Government will be enhanced because Lord Young was once Trade and Industry Secretary.

More serious is the possibility that ministers may be influenced in their decisions, especially on procurement or in the award of licences, by the hope of subsequently being offered jobs. If such awards are made on the basis of open competition, as they should be, ministerial discretion is eliminated; there is no evidence to suggest that Lord Young sought favours for Cable and Wireless in the award of mobile telephone licences while he was in government.

There is a case for extending to ministers the scrutiny rules which apply to civil servants; these can impose a two-year gap between leaving government and joining a private-sector employer. The full "quarantine" is rarely enforced because potential conflicts of interest are regarded as minimal in most cases, but the procedure would provide an extra safeguard against improper behaviour.

## Fresh start on technical schools

THE NEWS that Sir Cyril Taylor, the chairman of the City Technology Colleges Trust, is fully committed to co-operative ventures with local authorities and voluntary bodies is most welcome. Mr Kenneth Baker, the former UK Education Secretary, made a blunder in 1986 when he attempted to launch a stand-alone programme of industrially-sponsored City Technology Colleges (CTCs).

No cost benefit analysis could possibly have justified the CTC programme in its original guise. At a time when rolls were declining sharply and local authorities were attempting to close surplus buildings, it made no sense to pump large sums – between £5m and £8m per school – into brand new colleges. This was bound to be unpopular when ordinary comprehensives were facing tight capital spending constraints. Sir Cyril is now arguing that existing sites can be converted at a capital cost of only £500,000, less than a tenth of the cash lavished on new colleges. If this approach had been adopted from the start, Britain might now have more than a handful of CTCs.

In attempting to redress a long-standing bias against technical and vocational education, it was important to maximise support for the new schools. Yet the policy of establishing them *against* the wishes of local authorities might have been calculated to generate the greatest possible hostility within the educational establishment. The contrast with the Technical and Vocational Education Initiative, which was introduced throughout the state sector, could hardly be greater.

But the biggest irony is that the CTC programme even alienated much of industry. The Government found itself shouldering a much larger than intended proportion of the costs partly because many of the biggest corporate sponsors of education refused to touch CTCs. This was not because the companies opposed the concept of high-technology education, but because they were anxious not to compromise their relationship with the rest of the state education system.

Numerous studies during the past century have emphasised the need for high quality technical and vocational education. Comparisons with Germany, France and Japan still show Britain in a poor light. The Government must not, therefore, simply abandon the CTC programme. In the short run, it would make sense to divert CTC cash into co-operative ventures with local authorities and voluntary groups. In the longer term, the UK Government needs to think harder about the kinds of institutions and curricula that are likely to motivate students with a practical bent.

## *ECONOMIC VIEWPOINT*

# EMS: more than talking £ up

### By Samuel Brittan

I doubt if anyone consciously invented the strategy of using rumours about early British membership of the European Exchange Rate Mechanism to talk sterling up. But growing market belief in the prospect has had that effect, which has been very useful for UK economic management; and policy-makers will want the effect to go on.

Since its low point in Budget week, sterling has risen by about 6 per cent against both the trade-weighted index and the D-Mark. The rise has been badly needed to tighten policy in view of the continued strength of domestic demand and the stubborn upward creep of underlying inflation, even when the effects of the poll tax and mortgage rates are eliminated from the Retail Prices Index.

Yet after the increase in base rates to 15 per cent in October the subsequent changes in policy stance were towards greater ease, and not tightening. The Budget surplus reported for the last financial year, as well as the one projected for 1990-91, was well below original expections. Worst of all, sterling was moving strongly if erratically downwards.

Many people who argue about the right exchange rate for Britain's entry into the ERM forget that for most of 1988 and 1989 sterling was well above DM 3. The fall below that level, just before last October's Conservative conference, was accepted with extreme reluctance by the last Chancellor, who had little alternative in view of the flurry of media reports that the Prime Minister would not countenance any further increases in base rate to protect sterling.

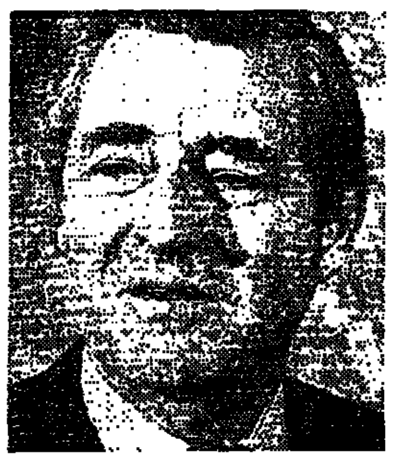
Nevertheless, if policy had been determined only by technical advice and not by political decisions, base rates would subsequently have risen. The present Chancellor has had, however, a genuine fear. This is that a fresh bout of populist hysteria against a new interest rate increase – which would have taken the so-called headline inflation rate above 11 per cent – would, coming on top of the poll tax fiasco, have sent the Tory popularity ratings into a further nosedive. And in the hard world of international finance, which is still under the spell of Thatcher and unconvinced by Kinnock, the pound might have perversely fallen rather than risen.

With the interest rate weapon effectively out of action (except in the face of irresistible international forces), the Treasury and Bank of England have needed above all some other way of levering up sterling. And having stumbled across such a device in the prospect of EMS entry, they are unlikely to let it go.

But it will only continue to work if ministers continue to behave as if membership is an early prospect. A few unfortunate sentences by the Prime Minister, or any other sign of backtracking, could more than undo all the good that has been accomplished in recent weeks.

So too would any sign that the Government is looking for a "soft ERM". By this I mean entry at a low exchange rate, or as an excuse to slash interest rates, or with any hint that the entry parity might be changed after the election. The so-called "golden scenario", with a pre-election boom, tumbling interest rates and a massaged drop in the headline inflation rate would soon turn to lead in terms of politics as well as economics.

No serious proponent of ERM membership has ever seen it as a quick fix. Membership works by squeezing severely the profits of companies engaged in international trade if they attempt to raise prices faster than their European competitors. To stay in the race they have either to stand out against inflationary pay claims or offset them by increases in productivity; and in practice they will have to do both. The effects on the more sheltered parts of the economy take longer and are more indirect. But product and labour markets are inter-related; and there is no way that pay levels in the protected sectors can shoot ahead year after year faster than those in manufacturing and traded services.



**'The ERM . . . would not be a soft option. The plain fact is that nominal wage increases have to come down . . . But if the knowledge that the exchange rate would not be allowed to depreciate helped focus attention . . . then ERM membership could be beneficial.'**

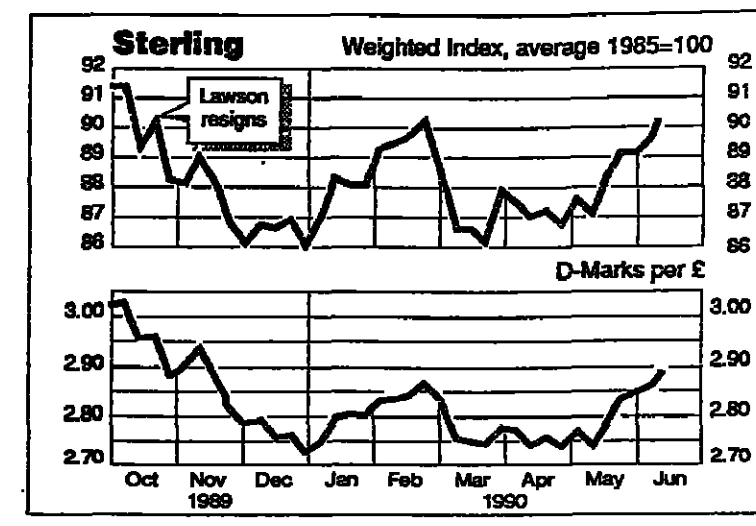
**Robin Leigh-Pemberton, Governor of the Bank of England, April 5**

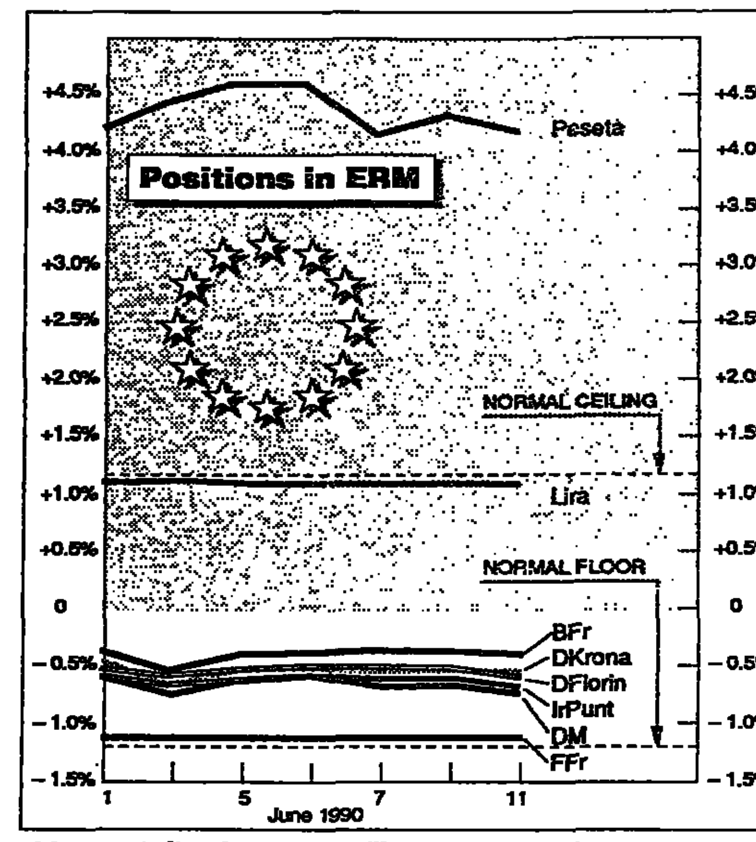
Undertaken in the right spirit, ERM membership should be more effective than purely domestic monetarism. For the need to maintain sterling at a clearly established parity deprives governments of the excuses for relaxation provided by obscure and conflicting monetary aggregates. The recent inflationary pressure could not have reached the intensity it did if sterling had joined the EMS at the time of the Treasury's vetoed attempt in 1985.

That, however, was nearly five years ago. UK credibility has to be established from the beginning. It was not until after President Mitterrand's policy U-turn, after France had been in the EMS for four years, that markets began to believe that the French Government was serious about avoiding realignments. And it is only in the past year or two that inflationary expectations in France have dropped enough for unemployment to fall.

The counterinflationary benefits for the UK could be postponed for a long time and the whole venture discredited, if sterling entered at an exchange rate well below its purchasing power parity with the Mark – which most analysts put at well above DM 3, on the basis of traded products.

Of course not all advocates of a low entry rate are political opportunists. Some are economists who are preoccupied by the balance of payments and hope a sterling depreciation will stimulate exports. Nevertheless, as Gavyn Davies of Goldman Sachs points out in an illuminating illustration, if the UK were to join at, say, DM 2.75, many UK businesses would have such a profits cushion that it could be five years before there were much downward pressure on inflation.




Mr Davies may, however, be wrong in assuming that political factors will dictate such a low entry rate. Consistently cynical policies are even more difficult to carry out successfully than consistently virtuous ones. Life is too uncertain for anyone to say how long after ERM entry the next election will be; and financial markets would not be slow to see through any political bluff. Given the extreme difficulty of a successful Machiavellian policy, the Chancellor might well find it politically more attractive to do what he thinks best for the economy.

* * * * *

Should the UK join at the normal 2¼ per cent margin? Or should it ask for a transitional period at, say, a 6 per cent margin, which Italy enjoyed until this January and Spain has enjoyed in the past year? The Prime Minister and Treasury appear to favour wider margins; the Bank of England and the Brussels Commission narrow ones.

The real case for wider margins is that holders of sterling would face a substantial downward risk if they moved funds to London to take advantage of higher British interest rates. Thus Britain would be able to continue to run a substantial interest differential against continental countries, desirable for counterinflationary reasons. At the very worst, if sterling knocked against its ceiling and interest rates had eventually to be reduced, the Treasury and the Bank would have the counterinflationary benefit of a higher pound.

It is, in fact, impossible to say beforehand what the pressures would be. Those expecting a repeat performance of the experience of shadowing the D-Mark in 1987-88, or of the peseta or lira today, where the pressures on the currency are upward and interest rates downwards, could be badly wrong. *A priori* anything could happen, once one brings in confidence and expectations.

The risk of joining at a wider margin is that, so far from attracting overseas funds, the Government could give the impression it was looking for a soft option in which sterling might fall by 6 per cent in the months ahead and perhaps by another 6 per cent after a realignment.

It would, moreover, be disastrous if the impression got round that the British Government was looking for a Trojan horse to pull the Community away from fixed parities and an eventual common currency and towards floating rates instead. Yet some talk in Thatcherite circles has given that impression. We can be sure that any such horse would be drowned before it could disembark at Antwerp.

The best way for a wider margin to be taken seriously as a sign of a hard EMS approach, would be for the entry rate to be a moderately high one and for the band to be skewed upwards above it. Sterling, which is technically already a member of the EMS but not of its Exchange Rate Mechanism, already has a nominal EMS central parity of DM 2.80595. But that is out of date in market terms, being based on the last EMS realignment this January when Italy narrowed its margins. It is also too low for counterinflationary purposes. My preference would be an entry band skewed upwards around DM 2.95.

* * * * *

I have left for last the question whether a 6 per cent margin around a central rate would give an effective band of double that amount, namely 12 per cent, as it at first sight should. The short answer is that it would not. If sterling had joined yesterday at a central rate of DM 2.89 (the approximate market rate), the effective band would have been DM 2.8570 to DM 3.0590, or around 7 per cent.

Wise souls will accept this computer result. But unwise ones may ask why the effective band is not wider and why the range is skewed upwards above the entry rate, even without any conscious policy of having such a bias. The explanation is that there is a parity grid not only against the D-Mark, but against every other member currency. The width of the band available to sterling depends on the position of every other currency.

At present the room for manoeuvre for sterling is determined by the French franc, which is at the bottom of its narrow range and the peseta, which is near the top of its wider one. The pound can at no time rise by more than 6 per cent above the peseta; and if the Spanish currency were to weaken sharply, sterling's ceiling rate would come down as well.

Why should sterling be so dependent on the peseta? Basically because Britain would be asking for the same concessionary terms as Spain, thus creating a mechanical link between the fortunes of the two currencies.

Ideally, in the view of Euro experts, only one currency at a time would have a wider margin. But if British policy were up to me I would still accept the complications of a 6 per cent margin for the sake of the extra initial flexibility. Provided the entry rate were high enough.

## King takes to Paris

■ Tom King, the British Defence Secretary, was in sunny mood in Paris yesterday morning at the joint press conference he gave with Jean-Michel Boucheron, chairman of the Defence Committee of the French National Assembly.

King had just broken new ground, by being the first minister of a foreign power ever to testify before the committee. Nobody pretended that he or they had said anything very new, but everybody agreed that the event had been a great success.

Boucheron explained that he had proposed the hearing in order to mark the recent improvement in Franco-British relations.

Considering the official closeness of defence co-operation between France and Germany, it might seem surprising that a British Defence Secretary should have been the first foreigner to be invited to appear before the committee. Boucheron said that he wanted to emphasise a new development, rather than a familiar and stable situation.

Not the least successful aspect of King's appearance was that he gave his evidence almost entirely in confident and fluent, yet nevertheless very English-sounding French. He told the press: "I am going to talk first in French, and then in English. See if you can tell the difference."

As a demonstration of the new entente, the committee presented him with a birthday cake complete with candles. King was 57 yesterday.

# *OBSERVER*

## India hands

■ An unusual, if distinguished party at the residence of the Indian High Commissioner in London today. Kuldip Nayar, the new envoy, decided to invite all the surviving members of the Indian Civil Service he could find living in Britain. There are thought to be about 90; about 60 have been able to accept, along with a few other old friends of India like Michael Foot, the former Labour Party leader.

The ICS was disbanded at Indian independence in 1947. Kuldip Nayar, a former journalist who has been at his post for only a few weeks, said that he wanted to make a gesture to show that some of the past was appreciated.

London is the still plum of diplomatic placings for Indian diplomats and the appointment of High Commissioner is a key political gift. Maharaj Rasgotra, the previous incumbent, suffered an early and undignified exit earlier this year, paying the price of his friendship with Rajiv Gandhi.

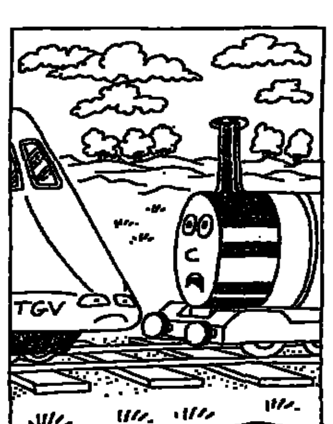
Kuldip Nayar, by contrast, was one of the most of the most outspoken opponents of the Gandhi dynasty and his criticisms during Mrs Gandhi's emergency rule landed him in jail. It was his friendship with V P Singh that brought him to diplomacy – and London – rather late in his career.

## Insular

■ The Germans are much too polite to admit it in public, but a former British diplomat who probed more than most into German ways, once told me that in private her German counterparts tended to refer to the British as Die Insel Affen (island apes). The story came back when reading about the British approach to the Channel tunnel.

## Soviet gold

■ There's gold in the old jets. According to the Soviet Union's defence ministry, each MIG-23 aircraft to be destroyed under the country's arms cuts contains 500 grams of it. Even at today's depressed gold prices, this is worth $5,600.




"I'm an English high speed train."

The weekly newspaper, Pravitelstvenny Vestnik, reports that the defence ministry expects to recover a total of three tonnes of gold, 564 tonnes of silver and 300 kilograms of platinum this year from the aircraft it plans to scrap.

That is about $130m-worth of precious metal, a useful "peace dividend" but not quite enough for re-armament. The precious metals were used to make sensitive parts for the aircraft because of the need for durability, the defence ministry explained.

## Far country

■ A management consultant was recently advising a medium-sized company keen to expand outside its West Midlands base. The marketing director was enthusiastic, suggesting it should strike forth into the markets opening up in eastern Europe.

The consultant was more cautious: "Why don't you as a first step try to do more in the East Midlands?"

The director was stunned. "That would be impossible," he said. "They have completely different working practices in the East Midlands, and they speak differently."

## House rules

■ It is beginning to look like a clean sweep at the top of the Royal Institute of International Affairs, now in the midst of its 70th anniversary year (marked, incidentally, by the inevitable appeal for funds).

The past two months have seen the departures of John Roper, head of international security studies (to be replaced by Trevor Taylor from Staffordshire Polytechnic), and of Bill Woodburn, administrative director, as well as the appointment of Professor Laurence Martin to replace Sir James Eberle as Director at the end of the year.

William Wallace, the deputy director and director of studies, is also leaving after 12 years. He has been elected to a new five-year research fellowship at St Antony's College, Oxford, endowed by Deutsche Bank. The fellowship is named after Walter Hallstein, the first president of the European Commission.

A former adviser to Sir David Steel, Wallace was much more interested in the political aspects of the Community than the single market. His departure should give the new director the chance to shape his own team, although Wallace's wife, Helen, remains as director of the west European Programme.

Meanwhile, the institute has had to postpone its 70th anniversary celebration on July 5. The Foreign Secretary, who was to have graced the occasion, has excused himself on account of the Nato summit. A new date will be announced.

## Sports news

■ The referee in yesterday's World Cup game between Spain and Uruguay was one Helmut Kohl (Austria).

In spite of growing world-wide demand, petroleum prices have declined sharply, writes **Steven Butler**

# End of the upwardly mobile price trend

OIL PRICES have done what almost no one predicted this year: they have crashed. This is not too strong a word. With a barrel of Brent crude selling for less than $15, oil is now a third cheaper than at the start of the year. In real terms it costs little more than before the 1973 price rises or during the price plunges of 1986 and 1988.

The collapse is a surprise because oil demand is growing, production outside of the Organisation of Petroleum Exporting Countries (Opec) is constrained, and many Opec members are producing at the limit of their capacity. With few Opec members able to supply the world's growing demand, it should have been easy to set a joint strategy to stabilise markets.

Instead, oil storage facilities around the globe are brimming over, Opec is producing far above market demand, and prices are touching new lows each week. The experience raises an important question: will the oft-predicted long-term squeeze on supplies materialise, or is competition among Opec producers this year just a taste of things to come? Following a year in which bearish price predictions were repeatedly proved wrong by unexpectedly high demand for oil, what used to be received wisdom in the oil market has resurfaced: the view that inflation-adjusted oil prices are unlikely to rise significantly for many years to come. Is this right?

For decades, the volume of oil production has been the result of political decisions. This stems from the structure of the industry, which is characterised by long lead times for development, the long life of equipment once installed, high fixed capital costs and low operating costs. The industry tends to have chronic excess capacity, with the result that only politically-determined production restraint tends to be sufficient to keep prices from scraping along the floor.

The world now has about 44½ years' worth of proven oil reserves at today's levels of consumption. More than 65 per cent of those reserves are in the Middle East, where the reserve life at current levels of production of the leading producers – Abu Dhabi, Iran, Iraq, Kuwait, and Saudi Arabia – is over 100 years. The oil in these countries can be developed and produced for a tiny fraction of the cost of that elsewhere. The rest of the world's oil industry thus lives on at the pleasure of these five producers.

Of course, these countries have revenue needs that prevent them from allowing the oil price to drop too far ($15 a barrel appears to set off loud alarms). Yet they also plainly have no interest in pushing up the price of oil to a point where it becomes profitable to explore for oil in inaccessible and expensive regions or to develop other fuels.

The equation, however, is more complicated: the big oil exporters have shown by their recent behaviour that they do not expect a sellers' market any time soon.

"They can drink it," is one economist's derisory comment about what Saudi Arabia may do with its 257.5bn barrels reserves of oil, the world's largest.

Following its joint venture deal with Texaco in 1988, through which it markets up to 600,000 barrels a day of crude in the US, Saudi Arabia is still scouring the globe in search of joint ventures that will provide it with a secure market for its oil exports. Mr Hisham Nazer, the Saudi Oil Minister, has spoken repeatedly of the need for co-operation between producing and consuming countries to increase mutual energy security.

Saudi Arabia is clearly concerned that the market for its oil could be damaged by environmental concerns. That much was clear from its opposition to measures to limit CO2 emissions at a meeting of the Intergovernment Panel on Climatic Change last week.

Venezuela is moving to establish production sharing joint ventures with foreign oil companies. Mr Andres Sosa Pietri, president of Petroleos de Venezuela, the state oil company, recently said he was looking for partners to provide markets for oil, and was keen to expand links with Veba, the West German oil company, in hopes of finding a growing market in eastern Europe.

Mr Nazer and Mr Sosa Pietri are not talking this way because they believe the world will come begging for their oil.

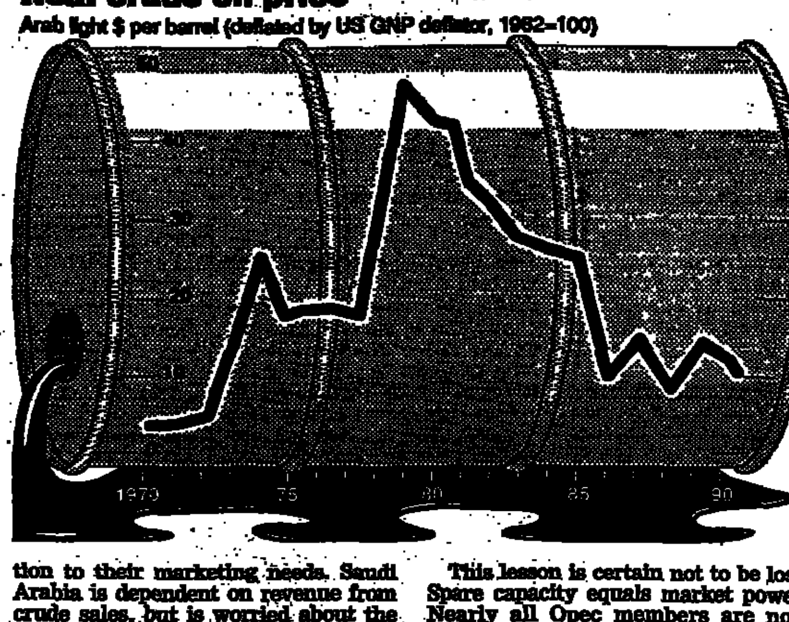
They are trying to protect their countries in the future from an intensely competitive environment of the sort that has prevailed in recent months. Kuwait and Venezuela have been pioneers within Opec of moving into downstream ventures abroad to secure high volume sales at market-related prices. Saudi Arabia has also become an ever more sophisticated marketer of crude.

In stark contrast, across the Gulf, Iran last year lost regular customers by being inflexible on contract terms. When contracts were not renewed, Iran was forced to dump its oil on the spot market, causing Saudi Arabia and Kuwait to lower prices in a competitive downward spiral that may not have hit bottom yet.

Even a small number of Opec members cannot implement a common strategy because they perceive their interests differently. Kuwait, with its downstream investments and huge financial investments abroad could stand to lose on its own accounts should oil prices rise too high. Kuwait has about $70bn of overseas investment which earn it roughly as much as oil sales. The Kuwaitis are most interested in matching crude production to their marketing needs. Saudi Arabia is dependent on revenue from crude sales, but is worried about the long-term competitive position of oil. Iran and Iraq need revenues now for post-war reconstruction.

**Real crude oil price**

Arab light $ per barrel (deflated by US GNP deflator, 1982=100)




Mr Gholamreza Aghazadeh, the Iranian Oil Minister, has recently argued that low oil prices will spur consumption, that this will outstrip production capacity and cause an undesirable spike in prices. Thus he says Opec should restrain production and nudge prices up to $20 a barrel. The strategy of the Kuwaiti minister, Sheik Ali Khalifa al-Sabah, of keeping oil prices low to maintain competitiveness will be counterproductive, he argues.

The logic of Mr Aghazadeh's argument is impeccable. Yet neither Mr Aghazadeh, nor anyone else, knows precisely the price levels at which these cyclical trends in consumption, investment and production will be touched off. What all the Opec ministers appear to be saying is that they want to avoid cycles and promote stability in the market.

Unfortunately each argues his position in terms of short-term interests, and the end result is a competition for market share by those fortunate enough to have spare production capacity.

This lesson is certain not to be lost. Spare capacity equals market power. Nearly all Opec members are now scrambling to invest in new production capacity so they will not be left behind in what most see as a steady rise in demand for Opec oil in this decade. Dr Subroto, the Opec secretary general, has been travelling the globe recently arguing that Opec needs $60bn worth of investment in the coming years in order to keep pace with rising demand, and that this requires co-operation with consuming countries.

It is unclear how Dr Subroto derived this figure, but it is far higher than most outside observers would estimate. Although this point is debated, many experts, including some of the world's largest oil companies, believe that a gradual increase in Opec production capacity of, say between 5m and 7m barrels a day, by 2000 is well within the financial and technical capacity of the industry.

**The crash is a surprise because oil demand is still growing, production outside members of Opec is constrained, and many Opec members are producing at their limit**

Opec production capacity is estimated variously at between 26m b/d and 29m b/d. This compares with current production at 23.5m b/d, which itself is far in excess of demand and about 1.5m b/d higher than the agreed production limit. Opec capacity, thus, does not really appear insufficient, although eventual additions to its capacity may be timed in such a way as to provoke considerable uncertainty and volatility in markets.

This leaves the question of what will happen to demand and non-Opec production. The persistent unexpected strength of demand, more than any other factor, has led to an upgrading of medium-term price forecasts. The world economy grew faster than expected last year, and seemingly one-off events, such as the drought in Europe, boosted demand for oil burned in power stations.

This spring, however, has illustrated the danger of extrapolation. A warm winter and sluggish economic performance in the US has led to a drop in consumption in North America. Demand in Europe and the Far East is stronger, but overall, demand is far from buoyant. The commonly predicted 1m b/d annual increase in world consumption, nearly 2 per cent, appears to assume far more consistency in world economic growth than is reasonable.

Developing countries will undoubtedly account for most of the increase in demand. Yet the bonanza in eastern Europe that many in the oil industry talk about may take years to materialise. These countries have no way to pay for oil imports and if they move to market economies are likely to experience a severe recession to start with as inefficient industrial plant is pruned away.

The Soviet Union's sales to international markets could easily rise should the east European countries – which now take most of its oil exports – have trouble paying it in hard currency in the years ahead. The Soviet Union is the world's biggest producer and exports about 2m b/d.

The likelihood that the world's industrialised countries will take significant action to curb carbon dioxide emissions has also increased sharply, and this could depress prices. Any such moves would be unlikely to have a swift impact on oil demand. But eventually it would lead to a choice of more efficient industrial and consumer equipment. Natural gas promises to be the big beneficiary in the medium term at the expense of coal and oil. In the transportation sector, more efficient engines could cut consumption sharply.

In the US, environmentalists could find themselves in common cause with economists concerned about the impact on the US trade deficit of sharply rising oil imports as US production continues its inevitable decline. Energy conservation could be the cheapest policy for both. Opec is unlikely to want to make this choice any easier by pushing up the price of oil significantly.

The extrapolation of production and consumption trends of recent years – particularly the slowdown in gains in energy efficiency in an environment of cheap prices – point to a clear indication that real oil prices will rise in the years ahead. Yet extrapolation has rarely proved an accurate guide to future oil prices.

*BOOK REVIEW*

# Products to the people

NEW AND IMPROVED
The story of mass marketing in America
**By Richard S. Tedlow**
*Heinemann Professional Publishing £20*

This book, says Harvard Business School professor Richard Tedlow, "is about the democratisation of consumption as a distinctive contribution of America to the world."

If that strikes a European reader at first blush as a rather sweeping statement, it is one the author substantiates with a wealth of detail. One simple example: by introducing a cheap, attractive own-label refrigerator, the 6 cubic foot Coldspot, in 1934, Sears pushed rival suppliers into following suit. As a result: "The proportion of families with electricity owning refrigeration increased from 19.2 per cent in 1934 to 62.8 per cent in 1940. Although this increase cannot be attributed solely to Sears, a significant proportion of it can be."

The thesis of New and Improved is that there have been three phases in American marketing. The first was one of fragmentation, absence of national brands, high prices and low volumes. The second, the national mass market, took shape around the turn of the century. "Where once there had been no national brands, now there were many." Low prices and high volumes permitted greatly increased total profits, and led to the domination of each product market by an aggressive company or small group of companies.

The third, market segmentation, is one in which marketers "use considerations such as demographics (age, income and education) and psychographics (life-style) to create divisions in markets that they can exploit with competitive advantages." It led to the victory of General Motors over Ford, and Pepsi-Cola's success with the Pepsi Generation.

The thesis may not seem particularly profound. The book's strength, however, lies in its detailed depiction of the heroic age of American marketing: the creation of national brands, and the development of third-phase, market segmentation responses to the established national brand leaders in the 1920s to 1950s.

The story is told through case histories. As well as Coke versus Pepsi and Ford versus General Motors, there is the rise and fall of A&P; and the struggle of Sears Roebuck and Montgomery Ward. Each is recounted with a wealth of fascinating detail, and the insights into marketing strategies are as relevant today as they were in the heyday of the cream separator.

A question the book raises, but does not answer, however, is the role played by the search for protection from the harsh winds of competition. The reward of branding, says Prof Tedlow, is "a consumer franchise that to some degree insulates the brand owner from price competition."

And, he says, the much trumpeted Cola Wars are better described as Cola Peace. "Ever since Pepsi abandoned its 'twice as much for a nickel' campaign, these two companies have appealed to the public almost exclusively in terms of psychic benefit." The one important exception, the Pepsi Challenge comparative taste-test, "was never embraced by Pepsi with the glee one would have expected," because the Challenge was "potentially too explosive." If it proved too successful, it might lead Coke to respond with competition based on price, "precisely the kind of competition both companies want to avoid."

These examples cut across Prof Tedlow's argument about the characteristic democratic thrust of American marketing. The true conclusion, perhaps, is that there is an inherent tension between embracing competition and protecting margins. At some crucial moments of business history, a few American business leaders seized the opportunity to cut prices and go for volume. That strategy paid off, but it is now less common, and perhaps, given current US cost structures, less appropriate. If turning élite artefacts into mass products was a distinctive American contribution to the world in the first part of the century, that task is now being carried out by Japan.

**Peter Martin**

*LETTERS*

## Lomé: EC's chance to make amends

*From Mr Christopher Stevens and Mr Matthew McQueen.*

Sir, Peter Norman's claim ("African home truths at a price," June 11) that the European Community's Lomé Convention "requires" its partners in Africa, the Caribbean and the Pacific (the ACP) to use European-produced components is wide of the mark – but not very. And his contention that western governments add to the trade problems faced by African and other less developed countries is spot on. However, the new 10-year Lomé Convention signed last December provides the EC with an opportunity to make amends, if it chooses so to do.

The Lomé Conventions provide on paper very liberal access to the European market for ACP exports. But the "rules of origin" to determine whether or not an ACP export may benefit from these concessions are horrendously complex (in itself a non-tariff barrier) and in many cases require either a degree of processing that is not feasible for poor countries or, as Mr Norman has noted, the purchase of inputs from European sources even if they are not the cheapest. It is hard to escape the conclusion that often their primary purpose is to protect uncompetitive EC industries.

The standard rule is that, if non-ACP/EC inputs are used in production, an ACP export can receive preferences only if it is classified under a different tariff heading from any of its imported inputs. In many cases this rule is supplemented by further rules which require additional levels of processing or manufacturing and further increase the pressure to "buy European." In the case of iron and steel cited by Mr Norman, for example, the rules specify that additional work must be done in the ACP to qualify.

In important respects the EC's rules are tighter than those of other OECD states.

When ACP states do manage to fulfil the stringent origin requirements they risk other EC protectionist constraints. Both Trinidad and Zimbabwe have been victims of anti-dumping action. Others have faced "voluntary" export restraints. In all cases, the claim that the tiny volume of ACP exports threatens European industry is laughable.

The new Lomé Convention provides an opportunity for improvement, but only if the EC grasps it. The EC is empowered to grant waivers (derogations in the jargon) of the rules where they can be shown to constrain a nascent ACP export. Similar provisions existed under previous Conventions but they were flawed and little used. The new procedures are better but, as always, the terminology is sufficiently opaque for the EC to continue in the old ways if it so wishes.

Unless there is a change of practice, strictures by European spokesmen that Africa must clean up its act will have a hollow ring. We recall that the Bible has an appropriate allusion – something about beams and motes!

Christopher Stevens,
Matthew McQueen,
*Overseas Development Institute,*
*Regent's College,*
*Regent's Park, NW1*

## Performance of Globe

*From Mr R.A.M. Ramsay*

Sir, Mr Hart (Letters, June 9) is entitled to his own views on whether or not the bid for Globe raises questions of competition policy. One would have hoped, however, that he would have got his facts right so far as Globe's performance is concerned.

I would like therefore to set the record straight on Mr Hart's comment that Globe Investment Trust has outperformed the All Share Index over 10 years. In fact, over the period to the end of March 1990, Globe has underperformed the index in terms of net asset value (by 14.8 per cent), net asset value total return (by 17.9 per cent), share price (by 9.5 per cent) and share price total return (by 3.7 per cent).

Over the same period Globe's gross dividend has had a compound growth rate of 8.3 per cent, compared to 12.5 per cent for notional dividends on the All-Share Index.

R.A.M. Ramsay,
*Director,*
*Barclays de Zoete Wedd,*
*Ebbgate House,*
*2 Swan Lane, EC4*

## Tunnel rail link 'is essential'

*From Mr G.P. Twist.*

Sir, The Department of Transport has allowed itself to be painted into a corner over the Channel Tunnel rail link. The original proposals for private sector involvement envisaged a process of competitive tendering. The decision to allow British Rail to proceed with just one consortium, before the project had been clearly defined and costed, removed that competitive element.

BR's partners in Eurorail are major construction companies whose prime interest will be in building the link rather than in running the railway. It was inevitable that, in such hands, and without the constraints of competition, the costs of the project would increase rather than reduce and this was bound to lead to renewed calls for public subsidy.

Ever since the proposal for the link was first mooted the Transport Department has acted on the basis that this would be a private sector project which would require a private Act of Parliament. The complexities of the private bill procedure were amply illustrated by the 1988 Report of the Lords and Commons Joint Committee on Private Bill Procedure. A cursory glance at this report would have made it clear that the opportunities for individual MPs to delay private bills are so substantial that it was inconceivable that as controversial a project as the link could ever be promoted by way of a private bill.

The building of the link and the improvement of regional rail connections to the Continent is seen, by all relevant bodies outside the south-east, as essential to our trade with the European Community. To achieve this aim some hard decisions will have to be taken and a firm political will is going to be required to see off "nimby" pressures. This is something only government can provide.

Already the failure to lay a bill before parliament last November, as originally intended, has made the targeted opening date of 1998 more difficult to achieve. Even that date will leave Britain years behind France. The approach of a general election is no excuse for further procrastination or dilettantism.

G.P. Twist,
*Post & Mail House,*
*26 Colmore Circus, Birmingham*

## Separating the woms from the boys

*From Mr David Holland.*

Sir, I am unhappy with Mr Reid's suggestion of "mow" as a neutral substitute for chairman (Letters, June 12). It has an unfortunate rhyme with cow.

How about the suffix "body" as in somebody, nobody etc. This has a friendly English sound, compared with the clinical sounding chairperson. It could also be extended to other occupations, as in postbody, and be abbreviated to the familiar chairbod.

David Holland,
*Chair,*
*Kensington Labour Party,*
*The Basement,*
*92 Ladbroke Grove, W11*

*From Mr V. Harris.*

Sir, Could not the acronym "mow" be made mowdatory under the Sex Discrimination Act?

V. Harris,
*2 Averbury Road,*
*Wimbledon, SW19*

*From Mr G.H. Redman.*

Sir, Surely the simplest way to overcome the problems of finding a genderless form of the word chairman is to replace it altogether, for example by president.

If a new word is to be coined meaning man or woman, I think it should be "wom" not "mow." This would enable children to be referred to as wombles.

G.H. Redman,
*69 Ripplevale Grove, N1*

*From Ms Brenda Wilkinson.*

Sir, Mr Reid's proposal for replacing the term chairman by chairmow is based on an erroneous assumption about the role of a person so titled.

The correct term should be chair for the very reason that Mr Reid rejects it – that it implies an inanimate object. A chair performs a particular function and so should a Chair – by enabling a meeting to proceed without imposing his or her views.

May I suggest that Mr Reid changes his own title (chairman) to director, which better reflects his animate inclinations. This would allow him to put these to more profitable ends than can be achieved by playing gender gymnastics.

Brenda Wilkinson,
*45 Loder Road,*
*Brighton, Sussex*

FINANCIAL TIMES
Thursday June 14 1990



GORBACHEV WINS GO-AHEAD FOR REFORMS

# Moscow opts for market economy

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday won the political mandate he needs to introduce radical institutional reforms to turn the Soviet Union into a market economy.

Approval from the Supreme Soviet for Mr Gorbachev's reform plans look like a considerable victory for the radical economic reformers in the Soviet administration, and a snub for Mr Nikolai Ryzhkov, the Prime Minister, and his government, who favour more cautious dismantling of the old centrally planned system.

However, it does not amount to a complete rejection of the Government's economic reform package and therefore is unlikely to force Mr Ryzhkov's immediate resignation.

The Supreme Soviet (standing parliament) called on Mr Gorbachev to use his power of presidential decree – overriding both the parliament and the Government – to denationalise state property, establish joint stock companies and a stock exchange, draft anti-monopoly controls, reform the banking system and give new legal backing to small business and entrepreneurs.

It also called on him to enforce new laws on property, land ownership, leaseholding and local economic autonomy, all of which have been approved in the parliament, yet barely implemented in the Soviet provinces.

At the same time, the parliament balked at giving Mr Ryzhkov's government the go-ahead for drastic price rises, intended to begin the process of bringing Soviet prices in line with world prices.

The biggest snub to Mr Ryzhkov's more cautious programme could come today when the Supreme Soviet will vote on a tripling of bread prices, on which conservatives and radicals are united in opposition.

Prime Minister Ryzhkov under fire in the Supreme Soviet

Judging by the mood of the house last night, that move could well be rejected, leaving the Government committed to a very large producer price rise for grain and no subsequent increase in retail bread prices.

The parliament's decision at the end of two weeks of frantic negotiations between the deputies and Dr Leonid Abalkin, the deputy premier in charge of economic reform, amounts to clever compromise, accelerating institutional reform and forcing a government rethink on prices, the single most explosive issue.

Dr Abalkin insisted yesterday that the Government could go ahead with its planned price rises next January 1 – more than doubling most food prices, sharply raising energy prices, and many other household products – without parliamentary approval.

The Supreme Soviet has simply demanded that the Government resubmit a coherent programme of concrete measures, including new proposals for price reform, by September 1. That programme will also have to include proposals for drastically cutting this year's budget spending, and for changing the whole "system of administering the economy", an obvious reference to the central planning apparatus.

The deputies have not spelt out the precise list of new laws they want to receive by September, which originally included measures such as a law on a single union market (to stop the proliferation of local trade barriers), anti-monopoly legislation, and laws to establish stock markets and commodity markets.

What now seems certain to happen is that President Gorbachev will go ahead with a series of presidential decrees on July 1, many of which are already drafted. There will be some form of consultation exercise during the summer, stopping short of a referendum.

By September, the Government will have to produce its legislative package to supplement the presidential decrees.

Mr Yuri Maslyukov, the first deputy prime minister and chairman of Gosplan, the state planning committee, said yesterday that the bread price increase could not happen anyway before August 1, and not on July 1 as originally planned.

He admitted that paying full compensation for the price rise in the form of wage rises would cost the budget up to Rbs17.5bn, although the compensation is only promised for one year.

Last night, however, any approval for the price rise was looking increasingly unlikely, and a decision was postponed until today.

Gorbachev makes headway on Baltic issue, Page 2

# Vanities of Milken empire on a junk heap

By Richard Donkin in London

THE ghost of Michael Milken hovered briefly over the City of London yesterday when about 400 bidders converged on the office of Drexel Burnham Lambert to pick over the bones of his junk-bond empire.

Like greedy relatives at a funeral, buyers shared the spoils, as more than 900 lots were auctioned in a sale which marked the end of one of the headier eras of the City.

Had Mr Milken been there, he could have been forgiven for shedding a tear at the sight of computer screens, mobile telephones and a well-used document shredder falling under the auctioneer's hammer. No one else did.

Sherman McCoy, Tom Wolf's bond dealer and Master of the Universe in the book, Bonfire of the Vanities, would have felt at home here.

A Drexel Burnham poster in the sale said: "In the investment community it's not how big you are that counts, its how big you want to be."

Drexel wanted to be big. The 1,000-piece set of Royal Doulton fine bone china, the eight champagne buckets, the silverware and the rows of cut glass gave some idea of the style in which the board had lived.

Mr Milken never visited the offices in Alie Street. Most operations were closed when the British subsidiary was forced into administration in February.

Only the foreign exchange and bullion departments are still working. They are due to close on June 24, leaving Mr Chris Saunders, the facilities manager, as the last Drexel employee in the UK. He said: "On June 29 I will turn out the lights and that will be that."

THE LEX COLUMN

# Lord Young makes the connection

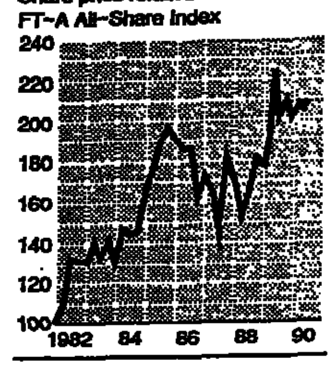
The undoubted success of Cable and Wireless over the last decade was due more than anything else to the diplomatic and negotiating skills of Lord Sharp. The long courtship of the Chinese and the dogged determination to break into Japan are only two instances of his contribution to one of the UK Government's greatest privatisation successes. It should be no surprise that his job has been split in two, with part of it given to an ex-politician.

However, Lord Young's appointment as executive chairman was bound to be controversial. There is nothing wrong with ex-ministers picking up jobs in the City after a decent interval. But it is less than a year since Lord Young left the Department of Trade and Industry. If he had been a foreign office minister, rather than the man responsible for setting UK telecoms policy, it would not have looked such an odd move. It is all a matter of degree.

More important for Cable and Wireless shareholders is whether Lord Young can duplicate the success of the past decade – over 20 per cent per annum compound earnings growth. His business reputation may be slender, but then so was Lord King's, which has not prevented him from making a success of British Airways. International telecommunications is a more political business than most; and this is where Lord Young will be required to justify himself, not trying to run Cable and Wireless. He inherits a company which despite last year's earnings growth of only 12 per cent is selling on over 18 times earnings. Lord Sharp will not be an easy act to follow.

Cable and Wireless

Share price relative to the FT-A All-Share Index




## Tate/Berisford

The second-time referral of the proposed Tate & Lyle/Berisford merger is wholly in keeping with Berisford's uniquely tangled history. Rather than rejecting Tate's application out of hand, the competition authorities have decided to re-open the case. It appears that in the three years since the last Monopolies Commission report, Tate has been unable to wring enough subsidies from Brussels to make its cane refining adequately profitable. Its proposed alternative is to secure a UK monopoly, which would allow it to push up the price of cane and beet sugar alike. Failing that, the implied threat is that the cane refineries would be closed, rendering the Community incapable of satisfying its refining obligations under the Lome Convention.

The other significant event since 1987, of course, is the dramatic worsening of Berisford's financial position. Its true balance sheet position is probably unclear even to the new management; but by one estimate, its total debt could be at least £1.8bn, or more than three times its present market capitalisation. If British Sugar is regarded as a national asset worth safeguarding, Tate has a strong poker hand in London as well as Brussels.

But the sums involved also mean that for Tate to over-pay would be very dangerous. It is already 100 per cent geared; the truth about Berisford could involve asset write-downs as well as unsuspected liabilities. Any bid would meanwhile have to be high enough to satisfy the three big shareholders who between them control 47 per cent of the equity. Dragging British Sugar out of the Berisford swamp is going to be a very ticklish business. No wonder the market left the shares unchanged at 120p yesterday as it went back to its sums.

## Racal

There is no doubt that Vodafone is a fine operation, and that the shareholders of the two Racals should be duly thankful. But it never pays to be mesmerised by a growth business, even one like Vodafone which is still adding new UK cellular telephone subscribers at a rate of 200,000 each year. Inspite of the near-doubling last year in pre-tax profits to £165m at Vodafone's immediate parent, Racal Telecom, the company is taking rather longer to spew out hard cash than the City expected. This is scarcely the end of the world, but it seems an additional reason for the shares of Racal Telecom, and of its 80 per cent owner Racal Electronics, not to outperform the market in the near-term.

Capital expenditure at Racal Telecom has already gone up from £54m in 1987-8, to £155m last year, and will be around £200m in 1990-91. Some of the increase is down to full consolidation of Orbitel, Racal Telecom's manufacturing subsidiary; and, in addition, provided Vodafone keeps its infrastructure cost down to £600 per new subscriber, compared with net revenues of £800 each, then the capital investment is well worthwhile. But the fact is that Racal Telecom was only marginally cash-positive last year, and could be cash negative again in 1990-91.

This, too, is before accounting for the £75m Racal Telecom could spend each year from 1992, for its PCN system. And if the cash position is disappointing at Racal Telecom, it is a lot worse at that old curate's egg, Racal Electronics, where net debt was £346m at the year end.

## Invisibles

The strange case of the reappearance of the vanished invisibles is another illustration of the unreliability of economic statistics. The apparent deficit in the fourth quarter last year has been revised away. The nil balance in the first quarter has been converted into a £700m surplus. To add to the confusion, the balancing item – the difference between the capital account surplus and the current account deficit – has turned negative after a rash of positive figures which had led some to argue that the current account deficit might be illusory. A negative balancing item could indicate that the first quarter deficit was actually worse than reported.

The best indicator in this glut of statistics is the key interest, profits and dividends account, which is still declining – the surplus halved between the fourth quarter of 1989 and the first of 1990. The downturn is the inevitable result of paying 15 per cent interest rates to foreign investors while earning far less on overseas bonds and equities. Until UK interest rates fall, the invisibles surplus is unlikely to contribute more than £2bn to the balance of payments in the full year. Those hoping for easy solutions to the current account deficit will have to look elsewhere.

# London shares close to record

By Rachel Johnson and Andrew Marshall in London

LONDON'S financial markets rose sharply again yesterday amid continuing optimism that Britain would become a full member of the European Monetary System in the autumn.

UK equities came close to record levels, despite efforts by the authorities this week to dampen speculation about sterling's entry into the exchange rate mechanism of the EMS.

The FT-SE 100 index rose 34.7 points to breach the 2,400 level for the first time since January – an advance achieved in spite of a sluggish day's trading on Wall Street. Traders bought equities in the expectation that shares would give a better return on capital than cash following any cut in interest rates. The FT-SE closed at 2,405.4, about 60 points short of the all-time high in January.

In the money markets, traders were also anticipating possible interest rate cuts following sterling's steady appreciation on the back of ERM rumours.

They were offering short-term money rates below 15 per cent – the current base rate level.

But other economic indicators, such as last month's retail sales figures, have this week confirmed that demand in the economy is too strong for any early cut in rates.

The Bank of England gave a strong signal to the market that the current squeeze on the economy had to continue – and did so by lending to the markets at 15 per cent yesterday afternoon.

Economists warned that the markets were regarding entry to the ERM as a panacea for all the UK's economic ills, but there was little prospect of it bringing down underlying inflation.

# Baker says Middle East peace process threatened by Shamir

By Peter Riddell, US Editor, in Washington

CONDITIONS imposed by the newly formed Shamir Government are threatening the future of Middle East peace moves, Mr James Baker, the US Secretary of State, warned yesterday in some of the most critical remarks ever made by a senior American official about Israel.

During congressional testimony Mr Baker hinted that the US might give up for the time being attempts to bring the Israelis and Palestinians together in talks unless there was "a good faith engagement without delay." He gave the White House telephone number and told the Israeli Government: "When you're serious about peace, call us."

The long, drawn-out discussions about possible talks are in danger of breaking down completely. The US is considering suspending its dialogue with the Palestinian Liberation Organisation because of an abortive terrorist attack on an Israeli beach two weeks ago.

Mr Baker's comments were in response to an earlier statement by Mr Yitzhak Shamir, the Israeli Prime Minister, who again emphasised hardline conditions for talks by insisting that future Palestinian negotiators must accept Israel's views on what constitutes autonomy for the occupied territories.

The new Government has already said Israel will not negotiate directly or indirectly with the PLO and will exclude Arabs in East Jerusalem from any elections or self-rule.

Underlining US frustration with Israel, Mr Baker said if the new Government was going to set such preconditions in its approach, "there won't be any dialogue and there won't be any peace. The US can't make it happen, I can't; the President can't.

"It's going to take some really good faith affirmative effort on the part of our good friends in Israel. And if we don't get it, and we can't get it quickly, everybody over there should know that the telephone number is 1-202-456-1414. When you're serious about peace, call us."

During his testimony, Mr Baker also warned that the future of the dialogue with the PLO was in "great jeopardy."

The US has still not reached a decision on breaking off the dialogue although Mr Baker has said that PLO comments so far are unsatisfactory. Washington is insisting upon an unequivocal condemnation by the PLO of the abortive attack and the beginning of some steps to discipline Mr Abu Abbas, a member of the PLO exective council who has taken responsibility.

Mr Baker said the US's commitment to fighting terrorism would not be diminished by whatever impact the decision might have on the peace process.

# US retail sales fall for third month

By Anthony Harris in Washington

US RETAIL sales fell 0.7 per cent in value in May, the third successive month of decline – and preliminary figures from the car market in June suggest a further weakening. Ford's sales for the first 10-day period of the month were 20 per cent below the same period in 1989.

The May retail value figure is only 1.5 per cent above the same month in 1989, well below the rate of inflation in goods prices. At the same time, the figures for March and April have both been revised downwards, and sales have fallen by a cumulative 2 per cent in the three months.

This is the first time that sales have fallen for three successive months since 1981, a recession year. But Mr Robert Mosbacher, Commerce Secretary, said yesterday that although the retail picture was "not good in itself," he saw little chance of recession in the near term.

The May figure, a preliminary estimate from the Department of Commerce, came as a surprise to market analysts, and bond prices rose after the news, which is thought to increase the likelihood of a cut in official interest rates. The Federal Reserve is under pressure from the Administration to respond to any further weakening in the domestic economy.

Market economists had expected buoyancy in other sectors to offset the known 0.6 per cent decline in car sales in May; but in the event the rest of the market appears to have been weaker.

Falling sales were shown in every sector except clothing, which recovered its 2.4 per cent decline in April. The housing recession is having a sharp impact, with durable goods sales down 3.5 per cent in the last three months, and building materials down 9.2 per cent in the same period.

Bonds rose half a point on the news and continued to strengthen through the morning; but equities, which showed little initial reaction, were volatile.

# Romanian coup attempt

Continued from Page 1

Students set fire to the barricades of buses and lorries, which had been put in place by the security forces. Thick smoke hung over the whole of the square.

Disturbances in the capital began at dawn when 500 club-wielding riot police swooped in University Square to move several hundred demonstrators and 19 hunger strikers who had been occupying the square for seven weeks.

The hunger strikers were demanding the resignation of the Interior Minister, and the establishment of an independent television station – a concession the Government said on Monday it was prepared to consider after talks with the protesters. They were also demanding a 10-year ban on former high-ranking Communists such as President Iliescu, from holding public office.

After the May 20 general elections, several leading dissidents and Romania's main intellectual organization, the Group for Social Dialogue, called on the protesters to end the blockade and form a united opposition. They had urged a peaceful end to the protest.

The Government said yesterday that it used force to moved to clear the square to restore public order and allow traffic to pass freely.

However, demonstrators responded to yesterday's dawn police raid by gathering forces and fighting the riot police in a series of running street battles.

Up to 7,000 protesters eventually broke police lines to reoccupy the square with hundreds of police in retreat.

Earlier there was fighting between students and workers. Police said they detained at least 263 people during the early morning raid on the square and police and plain-clothed security men continued to make arrests throughout the day.

## WORLDWIDE WEATHER

| | | Y'day midday °C | °F |
|---|---|---|---|
| Ajaccio | S | 23 | 73 |
| Algiers | S | 27 | 81 |
| Amsterdam | F | 16 | 61 |
| Athens | S | 27 | 81 |
| Bahrain | S | 36 | 97 |
| Barcelona | C | 22 | 72 |
| Belfast | C | 14 | 57 |
| Belgrade | C | 17 | 63 |
| Berlin | R | 19 | 66 |
| Biarritz | F | 20 | 68 |
| Birmingham | C | 13 | 55 |
| Blackpool | C | 14 | 57 |
| Bombay | F | 32 | 90 |
| Bordeaux | F | 22 | 72 |
| Boulogne | C | 13 | 55 |
| Bristol | C | 14 | 57 |
| Brussels | R | 12 | 54 |
| Buenos Aires | | – | – |
| Budapest | F | 20 | 68 |
| Cairo | S | 35 | 95 |
| Cape Town | S | 22 | 72 |
| Cardiff | C | 15 | 59 |
| Chicago † | C | 22 | 72 |
| Cologne | C | 16 | 61 |
| Copenhagen | F | 16 | 61 |
| Corfu | S | 26 | 79 |
| Dallas † | S | 25 | 77 |
| Dublin | C | 15 | 59 |
| Dubrovnik | F | 22 | 72 |
| Edinburgh | C | 14 | 57 |
| Faro | F | 21 | 70 |
| Florence | C | 20 | 68 |
| Frankfurt | R | 12 | 54 |
| Geneva | F | 17 | 63 |
| Gibraltar | C | 24 | 75 |
| Glasgow | C | 15 | 59 |
| Guernsey | C | 14 | 57 |
| Helsinki | F | 18 | 64 |
| Hong Kong | | – | – |
| Innsbruck | R | 15 | 59 |
| Inverness | C | 13 | 55 |
| Isle of Man | C | 13 | 55 |
| Istanbul | S | 25 | 77 |
| Jersey | C | 16 | 61 |
| Johannesburg | S | 17 | 63 |
| Las Palmas | S | 24 | 75 |
| Leeds | C | 13 | 55 |
| Lisbon | C | 21 | 70 |
| Locarno | F | 21 | 70 |
| London | C | 13 | 55 |
| Los Angeles † | C | 17 | 63 |
| Luxembourg | C | 14 | 57 |
| Madeira | C | 20 | 68 |
| Madrid | F | 26 | 79 |
| Majorca | S | 24 | 75 |
| Malaga | F | 22 | 72 |
| Malta | S | 29 | 84 |
| Manchester | C | 15 | 59 |
| Melbourne | F | 15 | 59 |
| Mexico City | | – | – |
| Miami † | S | 27 | 81 |
| Milan | S | 21 | 70 |
| Montreal † | C | 17 | 63 |
| Moscow | R | 15 | 59 |
| Munich | R | 12 | 54 |
| Nairobi | | – | – |
| Naples | S | 25 | 77 |
| Nassau | | – | – |
| Newcastle | C | 12 | 54 |
| New Delhi | F | 37 | 99 |
| New York † | S | 17 | 63 |
| Nice | S | 21 | 70 |
| Nicosia | S | 26 | 79 |
| Oporto | F | 21 | 70 |
| Oslo | S | 21 | 70 |
| Paris | C | 15 | 59 |
| Peking | | – | – |
| Perth | C | 17 | 63 |
| Prague | F | 21 | 70 |
| Reykjavik | C | 8 | 46 |
| Rhodes | S | 29 | 84 |
| Rio de Janeiro | | – | – |
| Rome | S | 23 | 73 |
| Salzburg | C | 15 | 59 |
| S'Francisco † | S | 10 | 50 |
| Santiago | | – | – |
| Seoul | S | 28 | 82 |
| Singapore | | – | – |
| Stockholm | F | 18 | 64 |
| Strasbourg | R | 18 | 65 |
| Sydney | F | 17 | 63 |
| Tangier | F | 22 | 72 |
| Tel Aviv | S | 29 | 84 |
| Tenerife | C | 14 | 57 |
| Tokyo | F | 25 | 77 |
| Toronto † | C | 18 | 64 |
| Tunis | S | 26 | 79 |
| Valencia | F | 25 | 77 |
| Venice | S | 21 | 70 |
| Vienna | Dr | 15 | 59 |
| Warsaw | F | 23 | 73 |
| Washington † | S | 18 | 65 |
| Wellington | C | 9 | 48 |
| Zurich | C | 14 | 57 |

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

# UK rejects part-time worker proposals

Continued from Page 1

cause sweeping changes in the UK system, where the national insurance threshold is not set on an hourly basis but at £46 ($78) a week.

On Commission estimates, the UK avoids paying social security to some 2.5m part-time workers, who earn between 10 and 20 per cent less per hour than full-time workers.

Other countries such as West Germany, in which social security is payable only after 19 hours' work a week, are also expected to oppose the measure.

Mr Michael Howard, UK Secretary of State for Employment, said that the measures were "unnecessary and misguided," and seemed "deliberately designed to discriminate against part-time work."

Mr Tony Blair, Labour's employment spokesman described the proposals as "a major advance for Britain's 6m part-time workers, and fully accords with good practice elesewhere in Europe."

Limits were also proposed on temporary labour that would make it impossible for companies to employ workers for more than a limited period without giving them permanent contracts.

A second draft directive announced yesterday would give part-time and temporary employees the right to the same working conditions – including such matters as training – as full-time workers.

They would also be subject to the same occupational pension schemes.

This measure, which is to be put to a majority vote, was seen yesterday as less controversial, although the British argued it would encourage companies to offer less generous schemes.

A third measure is designed to improve the health and safety provisions of part-time workers.

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## INSIDE

### MMC demonstrates a sweet tooth

The UK's Monopolies and Mergers Commission is to report by September 28 on yesterday's proposed bid from Tate & Lyle for Berisford International, which owns British Sugar Corporation. Should the bid be approved, Tate and British Sugar together would have 94 per cent of the UK market, but only about 18 per cent of the European market. According to European competition rules, which become law in September, market dominance in one member state would be grounds for blocking a merger. Pages 16, 24

### ICI guards family tradition

Imperial Chemical Industries, the UK-based chemicals and pharmaceuticals group, runs a tight ship with a lean finance department to provide for funding. Its financial approach is based on principles laid down in the 1960s which have been carefully guarded, even through the volatility of the late 1980s. Andrew Freeman looks at the rules which guide ICI's funding philosophy. Page 20

### Spain debates nuclear future

In 1978, Spain made an enthusiastic entrance into the brave new nuclear world with a large-scale plant building programme. Yet, just six years later, the idyll began to sour and five unused nuclear plants have been mothballed since 1984. The Spanish Government now finds itself at the centre of a fierce debate about the future of power generation in the country. Peter Bruce looks at the options for a sector surrounded by an atmosphere of crisis. Page 18

### Mondadori factions prepare for arbitration

This morning in Rome, a last ditch attempt gets under way to seal the fate of Mondadori, the Italian publishing group which has been subject of a battle of wills between Mr Carlo De Benedetti and Mr Silvio Berlusconi, its two key shareholders. After weeks of fruitless talks, representatives of the two sides are now to appear before an independent arbitration panel. The De Benedetti camp appears increasingly confident of eventual victory both in arbitration and at important shareholders' meetings later this month. Page 16

### Trouble in toy town


There's trouble brewing in toy town. After a 50 per cent surge in 1984, annual industry sales in the US have levelled out and are expected to be flat at about $13bn this year. The lack of growth in the industry is taking its toll on some of the old favourites such as Tonka and Fisher Price. Karen Zagor reports on the fortunes of these and other US toy makers. Page 17

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Karstadt | 655 | + | 10 |
| **Falls** | | | |
| Didier-Werke | 223 | − | 10 |
| Dragerwerk | 345 | − | 20 |
| Hoechst | 340 | − | 21.2 |
| Springer | 742 | − | 18 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| American Exp | 31¼ | + | ⅞ |
| Black & Decker | 18 | + | ¾ |
| Sun Micro | 33⅜ | + | ⅜ |
| **Falls** | | | |
| HomeFED Corp | 25½ | − | 7¾ |
| MNC Financial | 15½ | − | 1 |
| Woolworth | 33⅞ | − | ⅝ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Bongrain | 3420 | + | 40 |
| Eaux | 2630 | + | 76 |
| Legrand | 4443 | + | 71 |
| Poliet | 629 | + | 19 |
| **Falls** | | | |
| Ecco | 541 | − | 12 |
| Pechelbronn | 1580 | − | 70 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Okabe | 2150 | + | 200 |
| TDF | 2060 | + | 210 |
| Tokyo Tungsten | 1730 | + | 160 |
| Yamada | 1300 | + | 200 |
| Zenchiku | 965 | + | 100 |
| **Falls** | | | |
| Chori | 1210 | − | 120 |

New York prices as at 12.30pm.

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| AB Foods | 423 | + | 7 |
| Alexon | 478 | + | 18 |
| Brit. Aerospace | 571 | + | 27 |
| Brit. Land | 319 | + | 3 |
| Cable & Wire. | 569 | + | 9 |
| Cadbury Schwps. | 358 | + | 11 |
| Cookson | 225 | + | 13 |
| Dixons Grp. | 154 | + | 10 |
| Hazlewood | 87 | + | 19 |
| Marks & Spencer | 246 | + | 13 |
| Reuters | 1221 | + | 20 |
| Smith & Nephew | 117 | + | 3½ |
| Standard Chart. | 492 | + | 20 |
| Utd Biscuits | 364 | + | 11 |
| Vista Ents. | 5⅛ | + | ¼ |
| **Falls** | | | |
| Burmah | 619 | − | 5 |
| Granada | 268 | − | 5 |
| Polly Peck Intl | 437 | − | 13 |
| Ultramar | 345 | − | 5 |

# Elsevier sells stake in rival

By **Raymond Snoddy** in London

ELSEVIER, the largest Dutch publisher, is to sell its 33 per cent stake of rivals Wolters Kluwer in a move that will simplify, at least partly, the tangled relationships between the two groups.

The shareholding was the result of a hostile bid for Kluwer in 1987 by Mr Pierre Vinken, the Elsevier chairman. This was unprecedented in the Netherlands.

The two companies, which have built an international reputation in specialist publishing, will co-operate closely on the disposal of the stake. They intend a share placement to a number of purchasers, with Swiss Bank Corporation as lead manager.

The announcement led to immediate speculation that the decision to sell the stake marked the end of Elsevier's ambitions to merge with Wolters Kluwer to form a powerful international publisher.

Senior Elsevier executives stressed however that the planned sale did not rule out a future merger.

"[The sale] won't hurt our relationship with Wolters. We still want to merge with Wolters Kluwer in the long run and it might even be easier to merge without the stake as with it," Mr Cornelis Alberti, an Elsevier board member told Reuters newsagency.

The Elsevier director explained that the company was selling the stake now simply because it would make a good profit on the deal.

The two companies are emphatic that they do not want the stake to end up with a single investor.

Wolters Kluwer, which specialises in legal, scientific, financial and educational publishing took its current shape as a result of the hostile takeover attempt by Elsevier.

To avoid the unwanted attentions Kluwer merged with a white knight, Wolters Samson. The merged company recently paid around $235m to buy US publishers Lippincott from Mr Rupert Murdoch's News Corporation.

At present share prices, Elsevier could make a book profit of about Fl 350m on the sale of the Wolters stake, money to add to the company's war-chest for future international acquisitions.

Mr Vinken made it clear last month that not only was he interested in making further acquisitions, but he was actually looking at up to seven US publishers.

Elsevier also has a stake in Pearson, publisher of the Financial Times. The two companies swapped shares in 1988 in a strategic alliance described then as an engagement leading eventually to marriage.

Since then Elsevier, which owns more than 650 scientific journals, has made it clear that no full merger would take place between the two companies in the forseeable future. Plans for jointly-owned financial newspapers in various European countries were described as being "on the shelf."

Publishing industry sources say that the two companies have made separate attempts to buy publishing companies on the market.

Pierre Vinken, Elsevier chairman, is interested in buying up to seven US publishers

# Revco study could prove legal test for leveraged buyouts

By **Roderick Oram** in New York

A COURT-appointed examiner is to determine whether Revco DS, a leading US drug store chain, was in effect bankrupted by the terms of its $1.3bn leveraged buy-out four years ago.

The examiner is to be Mr Barry Zaretsky, a bankruptcy professor at Brooklyn Law School. His study could make Revco a test case of a legal theory long hanging over the leveraged buy-out boom which enriched many investors, Wall Street companies and others as it swept through corporate America in the late 1980s.

The Cleveland-based company had already achieved some notoriety two years ago by becoming the first billion-dollar buy-out to seek the protection of the bankruptcy court. It failed financially less than two years after its management took it private.

Key questions Mr Zaretsky will answer are: were the terms of the buy-out so onerous that they made the company insolvent; did the company get fair value for the financial burden it assumed in bonds and loans to finance the buy-out; or were the prime beneficiaries the investors who led the buy-out?

If Revco fails these tests, junk bond holders and other creditors could ask the court to unwind the buy-out on the grounds that it was a fraudulent conveyance. The original investors, including the management at the time of the buy-out, could be forced to return the proceeds of the deal to help pay off creditors.

The request for an examiner was pushed hard by Mr Conrad Morgenstern, a Justice Department trustee overseeing the administration of the Revco bankruptcy. The bankruptcy court denied his request but its ruling was overturned by an appeals court, clearing the way for the appointment of an examiner.

The buy-out was led by Mr Sidney Dworkin, Revco's chairman at the time, and by a management team that included his two sons.

The Dworkins took a 20 per cent stake in the buy-out. They were advised by Salomon Brothers in what was the Wall Street firm's first large leveraged buyout.

A year after Revco went private, the Dworkins were forced out of their management positions by their fellow investors, who also bought out their stakes.

Mr Sidney Dworkin is now running a small chain of discount stores in the Cleveland area called Sid's-Get-It-For-Less.

# Spain to revamp Enasa sale

By **Peter Bruce** in Madrid

THE SPANISH Government is making urgent attempts to rescue the Pta 28bn ($267m) sale of the state-owned truck producer, Enasa, to Daimler Benz and MAN of West Germany in the face of opposition from the West German anti-trust authorities and the European Commission.

The sale of 80 per cent of Enasa to Daimler and MAN was agreed last December after fierce competition from Fiat, DAF and Volvo. In the past two weeks, however, both the West German Cartel Office and Sir Leon Brittan, the EC competition commissioner, have publicly opposed the deal.

Last week Sir Leon wrote a letter opposing the sale to the Spanish Industry Minister, Mr Claudio Aranzadi. Shortly before, the Cartel Office had claimed that the joint purchase of Enasa would concentrate too much of the truck market in the hands of the two acquirers, particularly Daimler. Sir Leon suggested Enasa be split in two, with Daimler and MAN each buying a division.

The Spanish Government, dismayed by the opposition, plans to put a new proposal to the Commission next week. This would involve creating an Enasa holding company, which Daimler and MAN would jointly buy. The operating parts of the group would then be split into two: light trucks, which Daimler would control and manage; and a heavy truck division controlled by MAN.

Both the vendor and the buyers regard satisfying the Commission as their main priority and Sir Leon's note to Mr Aranzadi did invite new ideas. But changing the structure of the deal would complicate and delay it.

Under the original agreement, MAN was to take 60 per cent of Enasa, Daimler 20 per cent and the Instituto Nacional de Industria (INI) the Spanish state industrial holding company, would keep the remaining 20 per cent. INI would buy 8 per cent of the MAN parent company.

But delays in completing the transaction will cost Spain increasingly more as time passes. Enasa has had a poor start to the year and is reportedly losing money again after almost breaking even last year. This means the purchase price may have to be renegotiated. Also, MAN's share price has risen since last December, and INI's 8 per cent will be more expensive than planned.

Trevor Humphries

Controversial appointment: Lord Young new post sparked a political row yesterday

# Stora moves to clear way for Feldmühle deal

By **John Burton** in Stockholm and **Enrique Tessieri** in Helsinki

STORA, the Swedish pulp and paper group, said yesterday that it had withdrawn its bid for a 50 per cent stake in Chapelle Darblay, the French newsprint producer, because it feared the deal would jeopardise its chances of gaining approval, from the West German cartel office, for its DM4bn ($2.4bn) purchase of Feldmühle Nobel.

The threat of a potential conflict with Kymmene, its Finnish partner in the joint purchase of Darblay, also persuaded Stora to pull out of the deal and allow Kymmene to proceed with the FFr1.32bn ($232m) takeover on its own.

Stora denied the French government had forced it to back down because of anti-trust concerns. It claimed that the French authorities had approved the Stora/Kymmene joint acquisition at the end of last week.

Both the West German cartel office and Kymmene expressed concerns that Stora's twin interests in Darblay and Feldmühle Nobel would give it a dominant position in the European production of lightweight coated (LWC) paper used in magazines.

Although previously a small producer of LWC paper, Stora's purchase of Feldmühle Nobel has given the Swedish concern a total annual LWC production capacity of 1m tonnes at two plants located in Kabel, West Germany and Corbeham, France. In addition, Darblay has an annual LWC production capacity of 240,000 tonnes at its St Etienne plant.

Kymmene was "not very happy" when Stora's purchase of Feldmühle Nobel was announced in late April, three weeks after the Darblay deal, according to one Stora official. It meant that Kymmene would suddenly be co-operating with one of its biggest rivals in the LWC market. The concerns then raised by the West German authorities forced Stora this week to conclude that its stake in Darblay was not feasible.

Stora said its original intention in buying into Darblay was to gain access to facilities within the European Community that could produce newsprint from recycled waste paper. Darblay has an annual newsprint capacity of 350,000 tonnes at its Grand Couronne mill.

The Feldmühle Nobel deal has given Stora a similar, but smaller, plant in Langerbrugge, Belgium, which has annual newsprint capacity of 110,000 tonnes.

Yesterday Kymmene confirmed that Stora's purchase of Feldmühle had brought about a conflict of interest between both companies on the purchase of Chapelle Darblay. The Finnish group, a big LWC paper producer, played down the impact of Stora's withdrawal, and said it would not have any problems acquiring Chapelle Darblay by itself.

# Cable and Wireless profits advance 25% to £527m

By **Hugo Dixon** in London

CABLE and Wireless (C&W), the UK-based international telecommunications group, yesterday reported pre-tax profits up 25 per cent at £527m, for the year to end March 1990. Turnover increased 51 per cent to £2.3bn.

The company also announced that Lord Young, the former Secretary of State for Trade and Industry, will take over as executive chairman at the beginning of October.

The strong growth in C&W profitability reflects the increasing success of its Mercury Communications subsidiary as a competitor to British Telecom and the continuing bull market in international phone calls which C&W has made its speciality.

Profits were also boosted by the acquisition of Telephone Rentals, a UK equipment supplier, and of a controlling interest in the Jamaican phone company, Telecommunications of Jamaica. C&W's shares rose 9p to close at 569p. C&W's finance director, Mr Rod Olsen, said that between 40 and 50 per cent of group turnover, or about £1bn, had been generated from international calls.

Although he refused to reveal how profitable international traffic was, saying C&W did not prepare its figures that way, it is known that the margins are high.

C&W operations across the world generated just over 1bn minutes of international phone calls during the year, about 50 per cent more than the previous year. Although traffic volumes grew in all areas, the strongest growth in percentage terms was shown by Mercury.

In the six months to end March, Mercury carried 111m minutes of outgoing international calls, up from 55m minutes in the corresponding period of the previous year. It now has more than 10 per cent of the market for calls to most destinations outside the UK. Mercury's trading profit was £49m, up from £18m. Turnover increased from £181m to £352m.

In March, Mercury was carrying more than 3m phone calls a day, more than double the amount it was carrying a year previously. At the end of the financial year it had 261,000 customers, up from 126,000 the previous year and 44,000 the year before that.

Mr Gordon Owen, C&W's deputy chief executive, said only half of these were in central London, compared with about 90 per cent several years ago.

The group's UK and European region, which includes Mercury and Telephone Rentals, recorded trading profits of £84m on turnover of £585m. The Asia and Pacific region, dominated by its majority stake in Hong Kong Telecom, made profits of £379m on turnover of £1.15bn.

The western hemisphere, covering the US and the Caribbean, made £116m profits with a turnover of £553m. The Middle East made £14m profits from £51m turnover.

C&W's profit after tax increased 26 per cent to £433m. Earnings per share rose 12 per cent to 31.3p. Profits attributable to shareholders shot up 97 per cent to £815m, largely because of sale of a minority stake in Hong Kong Telecom.

The directors are recommending a full year dividend of 10.0p, up 25 per cent.

Lord Young's appointment sparked a political row yesterday because he was responsible for the UK Government's telecommunications policy while at the Department of Trade and Industry from 1987 until last summer.

Mr Gordon Brown, Labour's trade spokesman, said yesterday: "There will be disgust and anger at the appointment of Lord Young. The appointment as executive chairman means that he will spend time negotiating on behalf of Cable & Wireless with the very department he left only a year ago".

Lord Young strongly denied any suggestion that it was improper for him accept the post.

"I have waited a full 15 months before taking up this position. I am not intending to accept any non-executive directorships with other companies", he said.

He emphasised that his role as a full-time executive chairman at C&W showed that it was not a question of a former minister profiting from past contacts by taking on non-executive directorships.

Profile, Page 7; Parliament, Page 12; Lex, Page 14

**The two Racal telecommunications companies yesterday announced a rise in profits with the sharpest advance coming from Racal Telecom. It announced a 95 per cent increase in pre-tax profits last year to £164.8m ($275m) on the back on strong growth in the mobile communications market.**

**Despite intense price competition Racal Telecom's turnover rose 81 per cent to about £405m.**

**Racal Telecom's strong performance, which was in line with expectations, helped boost profits at its parent company, Racal Electronics, by 13 per cent to £201m for 1989/90, on a 24 per cent rise in turnover to £1.97bn. However, profits from the remaining businesses fell from £96m in 1987/88 to £94m last year. Page 22**

# Monopoly move in UK sugar bid

By Maggie Urry in London

TATE & LYLE'S proposed bid for Berisford International was yesterday referred to the UK Monopolies and Mergers Commission by Mr Nicholas Ridley, the Secretary of State for Trade and Industry.

Tate, the UK sugar and sweeteners group, and Berisford, which owns British Sugar Corporation, revealed that they were in bid talks in March but as yet no firm bid has been made. In 1986 a bid by Tate for Berisford was referred to the MMC and was blocked in 1987 because it would bring "serious detriments to the public interest."

This time the MMC, which has to report by September 28, will "weigh up the loss of competition that would result from the proposed merger against any countervailing benefits," Mr Ridley said.

Berisford said yesterday that since the March announcement it had received further bid approaches "and discussions are continuing with certain of these parties."

Market speculation suggested these could include Associated British Foods, which bid for Berisford in 1987. ABF withdrew its offer after the stock market crash but retains a 23 per cent stake in Berisford. Also suggested were Mr Larry Goodman, the Irish business executive with a 13 per cent stake, and Ferruzzi, the Italian sugar group which tried to buy British Sugar in 1986 but was blocked by the MMC.

Tate said yesterday that it was not surprised by the reference to the MMC. Mr Neil Shaw, Tate's chairman, said: "There is a strong case for the proposed merger, which will secure the future of the UK cane sugar refining industry and create an effective competitor to the large sugar groupings being formed in continental Europe."

However, a merger is likely to be opposed by buyers of sugar who regard prices, which are in effect set by the European Community, as too high.

Tate and British Sugar together would have 94 per cent of the UK market, but only about 18 per cent of the European market. However, even under the new European competition rules due to come into force in September, dominance of the market in one member state will still be grounds for blocking a merger.

The 1987 MMC report left open the possibility of a further bid when it recommended changes in the way Tate as a cane sugar refiner was treated under the EC sugar regime, which left it at a disadvantage to sugar beet refiners. These changes have not all come about, although Tate's profits have improved.

Tate shares closed up 7p to 315p on the London market and Berisford shares were unchanged at 120p yesterday.

Lex, Page 14; European market, Page 24

# Glynwed bid for Alumasc referred to MMC

By Clare Pearson in London

MR NICHOLAS Ridley, the Secretary of State for Trade and Industry, took Glynwed International by surprise yesterday when he referred the engineering group's £34m ($57.8m) recommended bid for Alumasc, the beer keg maker, to the Monopolies and Mergers Commission.

Mr Christopher Purser, Glynwed's treasurer, said the group was "amazed as well as disappointed."

Mr Ridley is concerned about the possible effects of a merger on competition for metal rainwater products.

Mr Purser said: "This is a quite extraordinary worry. Metal products constitute a very small part of the rainwater products market in the UK, which is dominated by plastics."

He estimated that metal guttering and pipes accounted for no more than 10 per cent of the total.

The announcement caused Alumasc's shares to drop 35p to 218p in London. Glynwed's gained 6p to 268p.

Glynwed manufactures and distributes cast iron guttering and pipes, while Alumasc specialises in aluminium products. The availability to the smaller company of Glynwed's building products distribution outlets is seen as an important benefit of the merger.

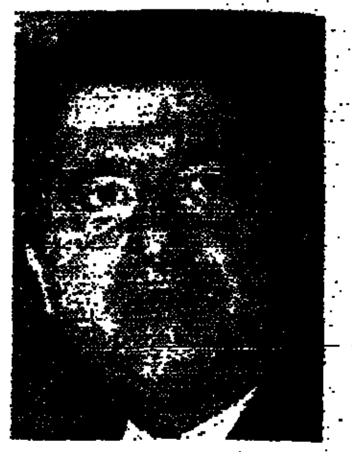
The two companies also see advantages in putting together their commercial catering and engineering interests.

The bid, unveiled at the end of April, is on the basis of a one-for-one share swap or 225p per share cash.

# Decision day approaches for Mondadori settlement

By Haig Simonian in Milan

Silvio Berlusconi: stepped down as Amef chairman



Carlo De Benedetti: confident of victory

TODAY should bring the first in what is set to be a series of decisive meetings this month to settle the fate of Mondadori, the Italian publishing group, which has been the subject of a battle of wills between Mr Carlo De Benedetti and Mr Silvio Berlusconi, its two key shareholders.

Representatives of the two sides, which have been locked in weeks of so-far fruitless discussions to resolve the crisis, are due to meet this morning before a special arbitration panel in Rome in a last ditch attempt to reach an amicable solution to the crisis.

The recourse to independent arbitration stems from a clause invoked in mid-March in the wake of the dispute over the earlier transfer of a key 25 per cent block of shares in Amef, the holding company which owns a bare majority of Mondadori's ordinary share capital. Although Mr De Benedetti says he had an agreement to buy the shares from the Formenton family, they were subsequently sold to Mr Berlusconi.

A decision on the legality of that transaction, which lies at the bottom of the Mondadori crisis, has to be made within three months of the March 15 decision to go to arbitration. Accordingly, the three-member arbitration panel, comprising two law professors and a senior judge, is expected to lay down its conclusion on Friday.

Under normal Italian arbitration rules, the parties involved in a dispute are called before the arbitrators the day before the decision is released in a final attempt to reach a negotiated settlement – explaining today's meeting in Rome.

However, the chances of a settlement between Mr De Benedetti and Mr Berlusconi appear slim. With confidence increasing by the day in the De Benedetti camp as to an eventual victory both from the arbitration tribunal and, independently, at a series of crucial Mondadori shareholders' meetings on 26 June, the willingness to compromise is patently on the wane.

For, independently of the arbitrators' decision – which Mr De Benedetti's representatives are confident will be in their favour – this month's Mondadori meetings should restore to Mr De Benedetti the control he has already indirectly regained at Amef, where Mr Berlusconi has had to step down as chairman.

Thus at Mondadori's ordinary and extraordinary shareholders' meetings, Mr De Benedetti's representatives will oppose the dividend payments being proposed by the company's current Berlusconi-controlled board. With a majority of Mondadori's total share capital under its control, the De Benedetti side should also be able to push through its version of the two contesting rights issues being put forward, and thereafter elect a new board of directors on which Mr Berlusconi may be conspicuous by his absence.

# Block of 1m CGE shares traded

By Our Financial Staff

A BLOCK of 1m shares in Compagnie Générale d'Electricité (CGE) changed hands between two of the diversified electronics group's friendly shareholders on the Paris Bourse yesterday, CGE said.

The group said it had been informed of the move beforehand and did not feel threatened by it.

It declined to identify the parties involved in the trade, which covered slightly less than 1 per cent of the group's outstanding shares at a price of FFr622 each.

One Paris broker said he believed that both the buyer and the seller were French institutional investors.

The sale comes one day after ITT of the US said it would sell a 7 per cent stake in Alcatel for $640m to CGE, its partner in a joint venture for the manufacture of telecommunications equipment.

The two companies formed Alcatel in 1986 by pooling their telecommunications assets, once the core of ITT before it became a broadly diversified industrial and services group.

After buying out some small shareholders in recent years, CGE owned 63 per cent of Alcatel before Tuesday's deal with ITT.

# KLM profits dive by 58.2%

By Our Financial Staff

KLM Royal Dutch Airlines, the Dutch flag carrier, saw net operating profit plunge 58.2 per cent to Fl 156m ($82m) in the year ended March 30, from the year earlier level of Fl 374m, reflecting costs that rose faster than revenues.

Final net profit dropped 10 per cent to Fl 340m from Fl 370m, but a large proportion of the 1989-90 net profit was due to special factors. The company had a one-time gain after taxes of Fl 47m from an adjustment in accounting procedures to conform with international practices and Fl 137m from the sale of assets excluding aircraft.

Net profit per share declined by 9.1 per cent to Fl 6.43 from Fl 7.08.

Although 1989/90 revenue rose by 8 per cent to Fl 6.460bn from Fl 5.971bn a year earlier, this advance was outstripped by a rise in costs of 10 per cent.

The rise in costs was led in percentage terms by a 22 per cent gain in fuel costs to Fl 699m from FL 573m. Depreciation accounted for a rise of 17 per cent to Fl 475m from Fl 406m. Salary costs rose 8 per cent to Fl 1.997bn from Fl 1.856bn.

"This was mainly due to increased number of personnel. The average salary has actually decreased over the last year," KLM said.

## COMPANY NEWS IN BRIEF

Shares in Rhône-Poulenc Rorer will be listed on the Paris Bourse before the end of 1990, and a listing will then be sought on other European exchanges, said Mr Igor Landau, head of the health sector activities of Rhône-Poulenc, Agencies report.

Rhône-Poulenc took a 50.1 per cent stake in Rorer Group of the US in a friendly bid in March, and their pharmaceutical divisions merged.

■ **Compagnie Financière de Paribas** has set up an investment company in Hungary headed by former Deputy Prime Minister Peter Medgyessy.

Hungarian Paribas Rt will act initially as an investment agency but would like to become an investment bank serving all of central Europe.

It is owned 57 per cent by Paribas, 38 per cent by French building contractor LSGI and 5 per cent by Uniker, a Hungarian trading company.

■ **Hoogovens**, the Dutch steel maker, said it expected to agree on the purchase of four factories which de-tin steel-coated waste from West German Th. Goldschmidt. It gave no financial details of the planned deal.

The factories, two in West Germany, one in Denmark and one in Switzerland, employ about 75 people. Hoogovens also said that Goldschmidt would close its loss-making de-tinning factory in Essen, West Germany, this summer.

■ **Gambro**, the Swedish medical products group, further extended its $37 per share tender offer for all shares of Cobe Laboratories of the US, until 2100 GMT last night.

The company said that up to June 12, when the offer was to have expired, it had received about 6,485,200 shares or 99 per cent of Cobe.

■ **Société des Ciments Français** is in negotiations that may lead to the creation of another Turkish unit for the second-largest French cement and construction materials producer.

Ciments Français said it was in contact with Cukurova Holding Group over the possible sale of Canakkale Cimento, which has annual production capacity of 2.1m tonnes, representing about 7 per cent of the Turkish cement market. Banking sources said the acquisition price could be as much at FFr600m ($105m).

# Maersk and P&O in deal

A.P.MOLLER-MAERSK Line, of Denmark, and P&O Containers are opening an integrated container transport service between Europe and the Far East, the companies announced, writes Hilary Barnes in Copenhagen.

Maersk will place eight vessels each with 3,500 container capacity with the new service. P&O plans six ships.

# Pirelli plans to spin off cables unit

By Haig Simonian

PIRELLI SpA, the Italian tyres and cables group, is pushing ahead with plans to spin off its cables division, which accounts for almost 44 per cent of group sales, into a separate company along the lines of Pirelli Tyre Holding, which was floated on the Amsterdam Stock Exchange last year.

Mr Gianbattista De Giorgi, the group's managing director, said the creation of a separate holding company could take place next year.

Although there are still unspecified problems to overcome, the plan to separate both the cables division and, at a later date, Pirelli's diversified products activities, is accelerating, he said.

So far, there is no question of the two activities being floated separately along the lines of the tyre transaction. However, once independent legal entities have been created, the possibility cannot be excluded, said the company.

Turnover in cables rose by 16.5 per cent to L4,501bn ($362m) last year, boosted by strong demand in Europe, North America and Australia.

The rise was greater than the 11.2 per cent growth in Pirelli's tyres business to L4,294bn in 1989, while sales of diversified products, which include a wide range of industrial and automotive goods, rose by 6 per cent to L1,431bn.

Mr De Giorgi confirmed that Pirelli was looking to expand its activities in areas of the diversified products division.

Talks were under way on a small purchase of a US rubber belts manufacturer, while Pirelli also wanted to raise its presence in the sports and bedding markets, he said.

# Playtime rough and tumble hits toy industry

**Karen Zagor examines a sector in which warfare tactics have emerged as sales in the US have levelled out**

PUNDITS in toytown do not need *Roger Rabbit* to tell them there's trouble brewing. In the past seven weeks, Tyco has been put into play, Tonka has said it will report a sharp second-quarter loss and Fisher Price, the toy-making unit of Quaker Oats, has proved a thorn in its parent's side and is being spun off.

Part of the problem is that growing companies are fighting over a pie which does not seem to be getting any bigger. After a 50 per cent surge in toy sales in 1984, annual industry sales in the US have levelled out and are expected to be flat at about $13bn this year.

Warfare tactics are not unusual. At the all-important Toy Fair in February, when toy makers from around the US gather to exhibit their best and brightest for the coming year, companies try to screen competitors from their showrooms and keep their catalogues out of enemy hands. This year, a crew from a respected maker of pre-school toys posed as local television reporters and filmed the entire display of a smaller competitor.

Industry sales may be static but the fortunes of the individual companies vary greatly from year to year. Some companies, such as Hasbro and Mattel, the two biggest US players, have risen Phoenix-like and are doing better than ever. Others, such as Tonka, are struggling.

The lack of growth in the industry is part of what ails Tonka, the third biggest US toy maker whose products include Play-Doh, Monopoly and its well known trucks.

But Tonka's debt burden, which at $482m is about the biggest in the industry, is more troublesome, and the company's problems have been compounded by its failure to launch any hot new products.

The company, which returned to profitability in 1989 after two years of losses, extended its first-quarter net loss to $10.3m or 71 cents per share in 1990 on revenues of $135.9m, from a net loss of $6.1m or 78 cents on revenues *of $182.2m a year earlier.*

Tonka recently said it expected a disappointing second quarter and might report a loss for the year. Its shares, which were trading at about $10 before the projected second-quarter loss, have not recovered and were trading yesterday at about $6¾ on the New York Stock Exchange.

In spite of Tonka's troubles, toy company analysts are loath to predict death. The company's financial health has actually somewhat improved from two years ago, and its long-term debt has been whittled down to about 68 per cent of capital from 85 per cent at the end of 1988.

Furthermore, unlike the department store sector, where bad news is often followed by a filing for bankruptcy protection with uncanny speed, toy companies tend to die slowly.

This was the case with Coleco, whose Cabbage Patch dolls once boasted annual sales of $600m. When the Cabbage Patch line fell from grace after 1985, Coleco went into a slow *decline which culminated in a* filing for bankruptcy protection.

Coleco was acquired late last year by Hasbro, the biggest US toy maker with sales of $1.4bn last year. Yet Hasbro has had its share of trouble, and the company was once dubbed a "has-been" by industry wags.

Hasbro is credited with being the first US toy company to realise that it need not be vulnerable to the fickle whims of children. The company's formula for success combined a degree of risk management with a certain amount of corporate ruthlessness.

Under the leadership of Mr Stephen Hassenfeld, Hasbro became the first toy company to take the business aspect of toy-making seriously. Hasbro's methods of managing risk by diversifying its product line, keeping its balance sheet strong and employing experienced managers were considered almost revolutionary for the toy industry when Mr Hassenfeld first applied them in the late 1970s.

Hasbro moved beyond its doll lines into board games and pre-school toys when it acquired Milton Bradley and its Playskool division in 1984. The company now has a broad range of core products, which cater to different sexes and age groups. Most of Hasbro's acquisitions are financed internally and the company's debt is low at about $148m. It was about 7 per cent of the company's capitalisation at the end of 1989.

The Coleco acquisition should prove a good fit, since one of Hasbro's strengths is turning former hits into lines that produce solid sales and profits. For example, Hasbro's Transformers and My Little Pony lines are now in their seventh year of strong sales.

According to Mr Larry Carlat, editor of Toy & Hobby World magazine, Tonka would do well to follow the lead of Hasbro and Mattel – getting rid of its unprofitable, extraneous lines and concentrating on its core products, such as trucks.

However, success can also bring its share of problems. Tyco, whose products include Dino-Riders and this year's hit Oopsie Daisy doll, has benefited from the now-accepted wisdom of diversifying its product line to reduce its dependence on short-lived hits.

At Tyco, no one category contributes more than 16 per cent of revenues, and new products are limited to 20 per cent of total sales to reduce the impact of possible flops.

The result has been almost predictable, with strong growth in profits and sales.

At Tyco's annual meeting in May, the company said it had received two unsolicited takeover bids.

Although Tyco said that discussions with the unnamed suitor had been terminated, industry watchers still believe that Tyco is an attractive takeover candidate. Hasbro, Nintendo and Disney are rumoured to be interested.

# Europe's M&A activity outnumbers US total

**By Martin Dickson in New York**

THE NUMBER of mergers and acquisitions in Europe in the first three months of this year exceeded those in the US for the first time, although in value terms the US remained far ahead, according to figures compiled by IDD Information Services.

The figures underline the growing pace of European takeover activity ahead of the creation of a single market in 1992 and the slowdown in the pace of US activity following the collapse of the junk bond market.

IDD says there were 1,228 companies targeted for acquisition in the UK and continental Europe during the quarter, compared with 1,054 in the US.

In the UK the number of deals fell, but the volume of continental European acquisitions more than doubled, from 319 in the first quarter of last year to approximately 715.

However, the value of companies targeted for acquisition in the US totalled $62bn in the first quarter, compared with about $36.2bn for the UK and continental Europe combined.

The value of continental deals alone was $18.4bn, up from $7.3bn in the same period last year.

# Hitachi to make chips based on Hewlett design

**By Louise Kehoe in San Francisco**

HITACHI, the Japanese electronics and semiconductor company, is to produce a range of microprocessor chips based upon technology developed by Hewlett-Packard, the US computer and electronics manufacturer.

Hitachi will develop, manufacture and offer on the open market reduced instruction set computing (Risc) microprocessor chips based on Hewlett-Packard's precision architecture (PA) technology, the core technology of HP's high-performance computer systems.

The arrangement is a first for HP, which has not licensed a semiconductor producer to *build chips based upon its design to be sold to others.*

Hitachi expects to offer the first PA chips in the spring of 1991, and eventually to offer a range of chips with performance ranging from a few million instructions per second (Mips) to over 100 Mips.

Initially, Hitachi will aim the PA chips at the market for microcontrollers to be used in a wide range of electronic equipment. This includes, for example, high definition televisions, colour facsimile machines, telecommunications equipment and automotive applications, said Mr Willem Roelandts, HP vice president and general manager of the computer systems group.

However, Hitachi may also market the PA chips for use in computer systems, which would enable other computer companies to "clone" HP's computer systems.

# Matra to sell Manurhin arm to Giat Industries

**By George Graham in Paris**

MATRA, the French missiles and electronics group, is to sell its Manurhin operations, specialising in ammunition and anti-tank weapons, to Giat Industries, the French state-owned tank and arms manufacturer.

Manurhin is now for the most part a holding company, whose earnings consist principally of its fees from a separate company, Matra Manurhin Défense (MMD), which leases its defence business and assets.

Matra will first buy out the 21 per cent minority shareholders in Manurhin for FFr60 a share. It will then transfer Manurhin, together with the separate MMD operations, to Giat for an undisclosed price, *which officials said would* be significantly higher than the FFr216m ($38m) value placed on Manurhin alone by the buy-out operation.

The deal represents a significant consolidation of the French armaments sector, broadening the product range of Giat, which was converted into a normal company earlier this year after operating as a division of the French administration.

The combined Manurhin and MMD operations had sales estimated at FFr750m last year. A Matra official said they had broadly broken even over the past two years.

Manurhin's main small and medium gauge cartridge and shell business will complement Giat's ammunition production, which focuses more on medium and large-gauge *shells. Manurhin also* produces anti-tank rocket launchers, such as the Apilas system, and anti-tank mines.

# US personal computer maker posts reduced loss

**By Louise Kehoe**

TELEVIDEO Systems, the struggling US personal computer manufacturer, reported reduced losses for its second fiscal quarter and said that it hoped to expand sales through two new joint ventures to supply personal computers in the Soviet Union.

For the quarter ending April 29, TeleVideo reported sales of $11.9m, up from $11.5m in the same period last year.

The company incurred a net loss of $3.9m or 9 cents per share compared with $5.4m or 12 cents per share in the second quarter of 1989.

For the six months ended April 29, TeleVideo reported net sales of $23.3m and a net loss of $8.1m, or *18 cents* per share, compared with net sales of $26.1m and a net loss of $14.1m, or 30 cents per share, for the corresponding period in fiscal 1989.

# Conrad Black resigns from Campeau board

MR CONRAD BLACK, Canadian owner of The Daily Telegraph, has resigned from the board of Campeau, the ailing Toronto-based real estate and retailing group, writes Bernard Simon in Toronto.

A Campeau representative said that Mr Black relinquished his director's post because of the unexpectedly heavy duties involved, including board meetings often called at short notice. Mr Black has been spending over half his time in the UK since taking a more active role in the Telegraph management.

# INTERNATIONAL COMPANIES AND FINANCE

## Nippon Life welcomes Shearson finance plan

**By Stefan Wagstyl in Tokyo**

NIPPON LIFE, Japan's largest life assurer, yesterday described as "a very good investment opportunity" its planned participation in the efforts of American Express, the US financial services group, to refinance Shearson Lehman Hutton, its troubled stockbroking affiliate.

Nippon Life, whose links with American Express and Shearson date back three years, is proposing to buy $300m worth of stock in a planned $825m public equity offering by American Express to finance its Shearson rescue.

Nippon Life's stake in American Express will rise from about 1 per cent, acquired earlier this year for $280m, to 3.3 per cent.

The Japanese group said it was buying the shares because American Express was a very good company, whose shares were currently cheap. "This is very good timing and a very good opportunity for us," an official said.

However, financial analysts in Tokyo said that Nippon Life had little choice about participating in Shearson's refinancing. Nippon Life had to contribute to safeguard the value of its 13 per cent stake in Shearson, which cost $530m in April 1987, then a record price for an acquisition by a Japanese financial group.

The 1987 deal surprised finance executives in Tokyo and London, partly because of the size of Nippon Life's investment. Nippon Life justified the acquisition by arguing that the link with Shearson would give it direct access to the Wall Street company's knowledge of world markets. Since then, dozens of Nippon Life executives have been trained at Shearson.

The two groups have also co-operated in various fields. This is evidenced by the recent announcement of a plan for Nippon Life to purchase a 50 per cent stake in PanAgora Asset Management, Shearson's fund management subsidiary in the US.

However, Nippon Life's critics say that the Shearson link has not lived up to the company's expectations. Six months after the deal was announced, Wall Street suffered its biggest crash since 1929 and the market value of Shearson plummeted. Over the last year, Nippon Life has been forced to watch financial problems mount at Shearson without being able to do much to help.

## Spain analyses its nuclear fall-out

### The state and industry are in a power quandary, writes Peter Bruce

Twelve years after rushing headlong into the brave new nuclear world with a large-scale plant building programme, Spain is dithering about pressing ahead.

The Government has promised to decide about nuclear power before the end of the year. This could have far-reaching consequences for the Spanish economy and the heavily-indebted private utility sector.

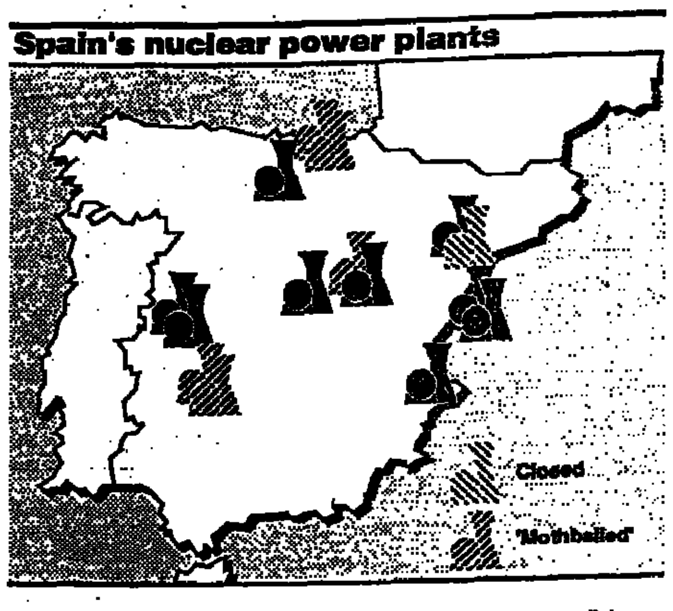
Madrid's decision late last month not to reopen the 450 megawatt Vandellos 1 plant near Barcelona following a bad fire last October in its turbines has stoked a fierce debate about the future of power generation in the country.

Five unused nuclear plants have been mothballed since 1984 and, though the Socialist Government has until the end of the year to produce a new national energy plan (PEN) for the 1990s, the Socialist Party has come out strongly against bringing new nuclear capacity on stream.

If the party gets its way – and there are signs that the Government is coming increasingly under party sway – Spain would have to build more environmentally unpopular thermal plants or import from France to cover a projected 7,500MW capacity deficit by the end of the century.

Mr Carlos Davila, the Socialist energy representative, wants Spain to cover the gap through purchases of nuclear capacity from France. And although Mr Claudio Aranzadi, the Minister of Industry and Energy, leans towards allowing completion of at least one unit of the giant Valdecaballeros project in Extremedura, the industry is terrified that the new energy plan may close the nuclear door on it for the next 20 years.

**Spain's nuclear power plants**




According to Research Associates, a Madrid-based corporate consulting house, installed power generating capacity in Spain at the end of 1989 was 46,494 megawatts, of which 46.5 per cent was conventional thermal, 36.3 per cent was hydroelectric and 17.2 per cent nuclear. Output in 1989 was 147.6bn kilowatt hours. Hydroelectric power, due to poor rains, accounted for 13.3 per cent (down 45 per cent from 1988), thermal made up 48.7 per cent (up 37 per cent) and nuclear power 38 per cent (up 11 per cent). Consumption in 1989 totalled 128.6bn kWh, up 5.2 per cent.

Nothing happens quite that simply in Spain, however, and the energy industry is a model of complexity. It is not definite that the moratorium since 1984 on the five nuclear plants hurts the utilities involved. Under the existing national energy plan they are compensated for their investments through a tariff supplement, fixed by the Government, that has cost Spanish consumers more than $2bn since 1984.

The nuclear utilities – Hidrola, Iberduero, Sevillana and, to a lesser extent, Union Fenosa – landed themselves in debt to the tune of Pta800bn ($7.6bn) by trying to build too much nuclear capacity in the late 1970s and early 1980s. Most managers in the sector agree that the moratorium has been a good thing. But continuing high debt and huge investment requirements have brought the industry to the point where it, or rather the Government, feels it has to make fateful decisions.

The industry feels it is pushed around too much. It would be ironic if Mr Davila's suggestion were to be taken on board: Spanish utilities claim they would love to be able to buy power at will from France. They are currently forced to buy massively from Endesa,

**No one knows what, if anything, Mr Aranzadi [Minister for Industry and Energy] is planning, but most speculation centres on a reformation, starting in Catalonia, of the entire industry around two or three big companies**

the state-owned wholesaler to the industry.

The private utilities now threaten to challenge this arrangement in the Constitutional Court. But this may be a double bluff to force down the tariffs at which they are required to buy from Endesa.

The Government has kept Endesa alive mainly because its plants burn Spanish coal and because the Government floated 20 per cent of the company in Europe and New York in 1988 for $670m. Government officials normally justify Endesa's existence by arguing that if it were let free to enter the retail market it would play havoc with the private utilities' income.

But the private sector's war with Endesa and the future of nuclear power in Spain are linked, and the Government does appear to be looking for a credible end-market for Endesa. Using its privileged position as a state company, Endesa has bought heavily into the private utilities in the past year, ending up with some 10 per cent of Sevillana and smaller percentages of others.

Banco Bilbao Vizcaya (BBV) has also bought about 10 per cent of Sevillana and it is assumed – given BBV's close links with the Government – that it would merge its stake with Endesa's should the Government require it.

That would happen as part of a wide-ranging reorganisation of the sector. The Government has warned foreign utilities off buying into their Spanish counterparts. No one knows what, if anything, Mr Aranzadi is planning, but most speculation centres on a reformation, starting in Catalonia, of the entire industry around two or three big companies – Endesa (finally to give it a retail market), Hidrola and Iberduero.

Endesa could take over Sevillana and Fecsa. Iberduero would take Hidrocantabrica and Electra de Viesgo in the north. Hidrola could take Union Fenosa and then farm out those Fenosa regions not next to its supply areas on the Levant and around Madrid. Once the weak have been married off to the strong and the division of distribution areas streamlined, it becomes easier to make national strategy.

Many of the smaller utilities such as Fecsa in Catalonia or Hidrocantabrica find it hard to meet demand for new capacity from their cash flow, and the Government cannot allow these companies to crank up their borrowings again. Total debt in the sector still stands at more than $5bn.

But the need for new investment – particularly if the nuclear moratorium stays – will be huge. Demand is already twice that envisaged in the existing PEN, and high voltage electrical consumption has been increasing faster than gross domestic product.

Mr Manuel Gomez de Pablos, chairman of Iberduero, said in Bilbao yesterday that Spain would need to invest Pta1,000bn until the year 2000 to meet national power demand. Speaking before the company's annual meeting, he described last year as difficult, with financial costs rising as a result of the Government's tight monetary policies.

Ahead of the so-far phantom reorganisation, uncertainty is becoming difficult to bear for the industry. The private utilities insist they need a nuclear option in their power generation mix. Sevillana has complained bitterly about Endesa's market raids and other utilities now worry in public about what will happen to them.

This is not an industry in charge of its destiny. Mr Aranzadi has the power to give and take away. He could trade a further commitment to nuclear power in return for industry support for a reorganisation. He could make it easier to import more power from France.

Now, the only people having any fun with electricity in Spain are stock market analysts busily forecasting which utilities would be absorbed (buy, they say) and which would be the acquirers (sell or hold) in any reorganisation. Both analysts and the industry have become so gripped by the sense of crisis created around the sector in the last year that, for the moment, no one appears to be considering the possibility that the Government may this time employ one of its most finely honed crisis skills and do nothing dramatic at all.

## Mapfre to buy insurance companies in Puerto Rico

**By Tom Burns in Madrid**

MAPFRE, Spain's leading insurance group, is to buy some key assets from Puerto Rico American Insurance Company (Praico), the largest insurance group in Puerto Rico. This move should ease a possible future penetration of the US Hispanic market.

Over the past five years Mapfre has pursued a policy of being present wherever Spanish is spoken. Last month it bought 49 per cent of the eighth-ranked insurer in Mexico to add to the string of similar companies it has bought into in other Latin American countries.

Mr Domingo Sugranyes, Mapfre general manager, said yesterday that the Puerto Rico acquisitions were different from previous ones because of the volume involved, the sophistication of the insurance market in the US dependency and because the Praico group, which had a gross premium of $83.5m last year, was formed by "very good companies."

Under the agreement, subject to approval by the Puerto Rican authorities, Mapfre will acquire the Praico subsidiaries Preferred Risks, a property and casualty insurance company, and Security National, a life assurance company.

It will also acquire a controlling interest in Pan American Corporation, a holding company that has a pooling agreement with Praico.

In its latest year the Spanish company:
- opened a corporate finance house in the City of London called Harwood Lawrence;
- launched its own bank, Banco Mapfre, which started with three branches in February and expects to have 10 by the end of the year;
- set up a Madrid broking house known as Mapfre-Indosuez with France's Banque Indosuez.

Unconsolidated revenues for 1989 at Mapfre, which is listed on the Madrid and Barcelona stock exchanges, rose 27 per cent to $1.9bn and profits 21 per cent to $227m.

## NZ bank declines

NET PROFITS at Capital Markets, the New Zealand merchant bank, fell 24.9 per cent to NZ$25.2m (US$14.6m) in the year to March. Interest costs on its 30 per cent holding in the state-controlled Bank of New Zealand, bought during the year, took NZ$17.6m.

## INTERNATIONAL CAPITAL MARKETS

# Treasuries lift sharply on weak retail sales figures

By Janet Bush in New York and Stephen Fidler in London

A WEAK set of US retail sales figures for May pushed the Treasury bond market sharply higher yesterday morning on speculation that the US Federal Reserve might ease monetary policy to avoid a consumer-led recession.

At midsession, the Treasury's benchmark long bond was quoted 11/32 point higher for a yield of 8.89 per cent and short-dated maturities were quoted as much as ¼ point higher.

May retail sales fell 0.7 per cent, and the 0.6 per cent drop in April's sales figures was revised to a larger decline of 0.9 per cent.

The fall in May was the third successive monthly fall. This is the first time this has happened since the period from September to November in 1981, which presaged the deep recession of 1982.

The components of the retail sales release suggested across-the-board weakness in consumer spending with only clothing sales remaining robust.

Durable and non-durable goods sales were both down and total sales, excluding cars, were down 0.8 per cent.

Although these figures clearly provide a picture of a soft economy, it is doubtful that the Fed would move to ease on this evidence – it would probably wait to see what evidence was provided by other May releases.

Of particular interest to the central bank and the bond market will be today's producer prices index for May and tomorrow's May consumer prices release. The PPI is expected to have risen by as much as 0.2 per cent and the CPI by 0.3 per cent.

■ UK government bonds put in another strong session, pushing futures prices to the year's high, with the market benefiting from continued strength in sterling.

The pound continued to gain on expectations of entry reasonably soon into the exchange rate mechanism of the European Monetary System. This helped to push sterling's trade-weighted index up to 90.6, up 0.3 percentage points on the day, its highest level since the Chancellor, Mr John Major, took office in October.

The Bank of England underlined in an unusual statement that it was not about to cut interest rates, offering further underpinning for the currency.

Sterling bonds gained later in the day following the report of a drop in US retail sales in May, interpreted as indicating weakness in the US economy and increased chances of a cut in US interest rates. Economic data due from the US and UK over the next two days had led many to expect a more subdued session yesterday.

On the London International Financial Futures Exchange, the September contract closed at 84-30, more than ½ point up on the opening. It gained further after hours to move above 85. Dealers said some important technical resistance levels had been breached. More than 22,000 contracts changed hands.

■ THE West German market again proved subdued, worried about the possible announcement of new Bund futures. The US figures provided something of a spurt late in the day, encouraged by the perception of a possible squeeze on holders of short positions.

As expected, the Bundesbank Council did not announce any change in monetary stance; it met one day earlier than usual because of the holiday today in parts of Germany.

On Liffe, where over 33,000 contracts changed hands, the active Bund futures contract closed at 82.04, up modestly on the opening 81.95, and gained further after hours to 82.11.

The yield spread between the French and German market stayed little changed around the important 10-year maturity at about 90 basis points.

The spread between the German and Dutch market narrowed fractionally to 16 or 17 basis points from 18 at Tuesday's close.

The results of a government bond tender provided evidence of good underlying demand for Dutch bonds. Some analysts are predicting that the yield spread between the two markets will disappear soon.

■ VOLUMES this year on Soffex, the Swiss futures exchange, are running comfortably ahead of those in 1989, with average daily contracts for the first five months 37 per cent up on the average for 1989 as a whole.

Announcing this yesterday, Soffex disclosed that it had made a profit for 1989, reversing a loss of SFr243,500 into a surplus of SFr428,700. It said higher overall expenditure was offset by contract volume, which exceeded budget by 50 per cent.

The year's expenditure included SFr5.7m for the development of the SMI Futures project.

### GOVERNMENT BONDS

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 10.000 | 4/93 | 94-10 | +12/32 | 12.43 | 12.83 | 13.27 |
| | | 10.500 | 5/99 | 93-02 | +26/32 | 11.77 | 12.09 | 12.50 |
| | | 9.000 | 10/08 | 86-02 | +34/32 | 10.89 | 11.16 | 11.28 |
| US TREASURY * | | 8.875 | 05/00 | 103-01 | +16/32 | 8.42 | 8.48 | 8.66 |
| | | 8.750 | 05/20 | 103-26 | +19/32 | 8.40 | 8.45 | 8.58 |
| JAPAN | No 119 | 4.800 | 6/99 | 87.6143 | +0.147 | 7.05 | 6.98 | 7.02 |
| | No 2 | 5.700 | 3/07 | 82.6875 | -0.221 | 6.62 | 6.52 | 6.95 |
| GERMANY | | 7.750 | 02/00 | 92.8000 | -0.100 | 8.87 | 8.78 | 8.59 |
| FRANCE | BTAN | 9.000 | 02/95 | 95.9054 | +0.071 | 10.11 | 10.08 | 9.93 |
| | OAT | 8.500 | 03/00 | 92.3600 | +0.460 | 9.73 | 9.76 | 9.49 |
| CANADA * | | 9.750 | 05/00 | 94.5500 | +0.200 | 10.65 | 10.66 | 10.97 |
| NETHERLANDS | | 9.000 | 05/00 | 99.9600 | +0.220 | 9.00 | 8.99 | 8.89 |
| AUSTRALIA | | 12.000 | 7/99 | 91.9837 | +0.001 | 13.57 | 13.46 | 13.51 |

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

-Technical Data/ATLAS Price Sources

# Slow start likely for trading on Portal

By Deborah Hargreaves

THE National Association of Securities Dealers is set to launch its Portal electronic system for trading privately-placed debt and equities in the US tomorrow.

Portal has been developed to accompany the newly-liberalised private placement rules created by the Securities and Exchange Commission's 144a amendments.

The NASD says it has 16 applications to trade on Portal in the final stages of processing, and these players represent some 80 per cent of the primary and secondary placement market for private offers.

However, the system is unlikely to get off to a brisk start. Private placements attracted to the hands-off regulation of the 144a market have been few and far between as issuers have not rushed to make offerings and institutional buyers have remained hesitant about the new set-up.

The NASD is not charging players to use Portal while it is in its initial stages and subject to modification. The fees for the service, which will be available through Nasdaq's existing quotation screens, will be set when it is better established.

Private placements traded on Portal will be cleared through the clearing house Cedel. This means that UK, Japanese and most Asian companies will have to create American depositary receipts if they want to issue on the 144a market and trade on Portal, since shares from these countries are not cleared through Cedel.

The NASD could face competition for the trading of private placements, since the American Stock Exchange is believed to be working on the development of its own system, Citus, with Reuters. However, the Amex has yet to make an announcement about Citus.

# Unit trusts mull futures and options

By Deborah Hargreaves

MOST OF the UK's leading unit trust groups are looking to establish futures and options funds when the Department of Trade and Industry's new rules become law at the end of the year, according to a survey by KPMG Banking and Finance, a management consultancy.

The survey found that eight of the 10 largest unit trusts were considering setting up authorised futures and options funds.

But the investment trusts approached for the survey expressed considerable unease about marketing high exposure funds to the public.

The DTI's rules, which are under discussion, divide futures funds into high and low exposure instruments with different restrictions imposed on each type.

The unit trusts showed a lot of interest in the low exposure, so-called 90:10 funds, which invest 90 per cent of their proceeds in Treasury bonds and play the futures markets with the rest. These funds, which often offer a guaranteed return of capital, are popular in the US.

Although there is scope to improve investment performance and reduce costs by using derivative instruments, investment managers are aware that they need to learn more about the risk involved or their reputations for investment management will be at risk.

Unit trust companies need to improve their systems before they can introduce futures and options funds. In addition to developing computer systems for managing risk and for product support, trusts need to change their accounting, valuation and pricing procedures.

Most of the trusts surveyed acknowledged the difficulties of educating the public about futures and options.

# Schneider plans warrant issue

SCHNEIDER, the French electrical equipment group, plans to bring to the market an issue of convertible bonds with share purchase warrants, AP-DJ reports.

Mr Didier Pineau-Valencienne, chairman, said the issue was aimed at providing funds to help seize acquisition opportunities that might arise.

He said that Schneider was interested in continuing its foreign growth drive with a focus on North America and Asia.

Schneider generates 76 per cent of revenue in Europe, which Mr Pineau-Valencienne said was too high.

## FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:15 pm on June 13

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 98¾ | 99¼ | | 9.43 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 100¾ | 101¼ | | 9.17 |
| AMERICAN GENERAL 9 3/4 95 | 100 | 96¾ | 98¼ | | 10.57 |
| AUSTRALIA 11 1/4 00 | 100 | 107¾ | 108⅝ | -¼ | 9.96 |
| AUSTRIA 8 1/2 00 | 400 | 95¼ | 95¾ | +⅛ | 9.25 |
| BANK OF TOKYO 8 3/8 96 | 100 | 95¼ | 95¾ | +⅛ | 9.46 |
| BELGIUM 9 1/8 92 | 400 | 100¼ | 100⅝ | +⅛ | 8.96 |
| BFCE 7 3/4 97 | 150 | 92¾ | 93¼ | +⅛ | 9.23 |
| BNP 8 5/8 94 | 300 | 98¼ | 98¾ | +⅛ | 9.18 |
| BP CAPITAL 9 5/8 93 | 150 | 100½ | 101½ | +⅛ | 9.35 |
| CANADA 9 96 | 1000 | 100¼ | 100⅝ | +⅛ | 8.90 |
| CCCE 9 1/4 95 | 300 | 100⅝ | 101 | +⅛ | 9.06 |
| COUNCIL EUROPE 8 96 | 100 | 94½ | 95 | +⅛ | 9.20 |
| DENMARK 0 98 | 250 | 48¼ | 48¾ | | 9.39 |
| DENMARK 8 1/4 95 | 150 | 96¾ | 97¼ | +⅛ | 9.17 |
| ECSC 8 1/4 96 | 193 | 95¼ | 95¾ | +⅛ | 9.18 |
| EEC 7 1/4 93 | 250 | 95¾ | 96¼ | | 9.00 |
| EIB 7 3/4 96 | 250 | 93¼ | 93¾ | | 9.22 |
| EIB 11 91 | 125 | 100¾ | 101¼ | -⅛ | 9.76 |
| ELEC DE FRANCE 9 98 | 200 | 99¼ | 99¾ | +⅛ | 9.10 |
| EUROFIMA 9 1/4 96 | 100 | 101 | 101¼ | +⅛ | 9.00 |
| EXPORT DEV CORP 9 1/2 98 | 150 | 101½ | 101¾ | +⅛ | 9.22 |
| FINLAND 7 7/8 97 | 200 | 92½ | 93¼ | -⅛ | 9.43 |
| FINNISH EXPORT 9 3/8 95 | 200 | 100¾ | 101¼ | +⅛ | 9.14 |
| FORD MOTOR CREDIT 9 1/2 93 | 300 | 100¼ | 101¼ | | 9.20 |
| GAZ DE FRANCE 12 1/4 93 | 175 | 103½ | 104¼ | +⅛ | 10.75 |
| GEN ELEC CAPITAL 9 3/8 96 | 300 | 101 | 101¼ | | 9.15 |
| GMAC 10 92 | 250 | 100½ | 101 | +⅛ | 9.70 |
| HALIFAX 9 1/2 93 | 200 | 100¼ | 100¾ | | 9.40 |
| IBM WORLD TRADE 7 5/8 93 | 150 | 95¼ | 95¾ | +⅛ | 9.32 |
| IND BK JAPAN FIN 7 7/8 97 | 200 | 92¼ | 92¾ | | 9.43 |
| INTER AMER DEV 7 5/8 96 | 200 | 92¼ | 92¾ | +⅛ | 9.27 |
| ITALY 8 1/2 94 | 1500 | 97¾ | 98 | | 9.12 |
| JAPAN DEV BK 8 94 | 150 | 96¼ | 96¾ | | 9.13 |
| KANSAI ELEC PWR 10 96 | 350 | 102¼ | 102¾ | -⅛ | 9.46 |
| LTCB 8 5/8 93 | 150 | 98¾ | 99¼ | | 9.13 |
| NEW ZEALAND 8 93 | 100 | 96¼ | 96¾ | -⅛ | 9.44 |
| NIPPON CRED BK 9 3/4 93 | 150 | 101 | 101½ | -⅛ | 9.35 |
| NIPPON TEL & TEL 9 3/8 95 | 200 | 100¾ | 101¼ | -⅛ | 9.18 |
| NISSAN ACCEPT CORP 9 1/4 91 | 150 | 99¾ | 100¼ | -⅛ | 9.55 |
| OLYMPIA & YORK 8 1/4 96 | 435 | 89 | 91 | -1¼ | 10.82 |
| ONTARIO HYDRO 11 5/8 94 | 200 | 105½ | 106¼ | -1 | 9.72 |
| OSTER KONTROLLBANK 8 1/8 93 | 200 | 97¾ | 98¼ | | 9.00 |
| PRUDENTIAL RLTY SECS 0 99 | 365.216 | 46¾ | 46¾ | +⅛ | 9.36 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | 600 | 91¼ | 92¼ | -⅛ | 9.75 |
| KREDIETCORP 7 93 LFr | 1000 | 92¾ | 93¾ | -⅛ | 9.71 |
| WORLD BANK 8 96 LFr | 1000 | 93 | 94 | | 9.61 |
| AMRO BANK 6 1/4 92 Fl | 150 | 94 | 94½ | | 9.41 |
| DENMARK 8 1/2 91 Fl | 100 | 99 | 99½ | | 9.65 |
| HEINEKEN 7 5/8 94 Fl | 150 | 95½ | 96¼ | | 8.99 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| AUSTRIA 4 3/4 94 | 30000 | 93¼ | 93¾ | | 6.97 |
| BARCLAYS O/S INV 6 96 | 40000 | 94¼ | 95¼ | +½ | 7.07 |
| CREDIT FONCIER 5 1/4 94 | 20000 | 93¼ | 93¾ | +⅛ | 7.03 |
| DENMARK 7 95 | 40000 | 100½ | 100¾ | +⅛ | 6.86 |
| EIB 4 5/8 94 | 40000 | 92½ | 92¾ | +⅛ | 6.88 |
| FNMA 6 7/8 92 | 50000 | 100 | 100½ | +⅛ | 6.84 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 96¼ | 96¾ | +⅛ | 7.26 |
| ITALY 5 3/4 92 | 150000 | 98¼ | 98½ | +⅛ | 6.86 |
| NORWAY 5 1/8 95 | 50000 | 93¼ | 93½ | +⅛ | 6.81 |
| PHILIP MORRIS 6 1/2 91 | 20000 | 99½ | 100¼ | +⅛ | 7.81 |
| SWEDEN 5 5/8 95 | 20000 | 94⅝ | 95½ | +⅛ | 6.86 |
| WORLD BANK 6 3/4 00 | 50000 | 99¾ | 100 | | 6.78 |

| CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| INTL PAPER 5 3/4 02 | 200 | 68¼ | 89⅝ | 90¼ | +15.51 |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 83½ | 84½ | +11.33 |
| METAL BOX 5 3/4 02 £ | 65 | 1.93 | 114¼ | 116 | -1.23 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 67¼ | 69¼ | -3.20 |
| OGDEN 6 02 | 85 | 39.077 | 85¼ | 86¼ | +24.54 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 104½ | 105½ | +2.07 |
| SUMITOMO BANK 3 1/8 04 | 300 | 3606.9 | 63½ | 64½ | +6.82 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82¾ | 77 | 77½ | +57.56 |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 106¼ | 107¼ | +3.28 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# INTERNATIONAL CAPITAL MARKETS

## Warm welcome for $350m global convertible issue

By Andrew Freeman

THE first global convertible issue incorporating US placement via Rule 144a received a fine reception on the Eurobond market yesterday.

The $350m issue for Browning-Ferris Industries, the US waste management group, was brought by Credit Suisse First Boston and met broad institutional demand throughout Europe. Of that value, $125m of the paper is targeted at the US, while the remainder is in bearer form with a registered option allowing future US placement.

The 15-year bonds, callable between years one and six, carried indicated terms with final pricing due before June 20. CSFB said the paper was quoted in the grey market at 100.15 bid, a premium to the issue price.

Elsewhere, the market was surprisingly busy given the weight of economic data due today and tomorrow. IBJ International reopened the volatile Canadian dollar sector with a C$150m five-year deal for Japan Development Bank, the first Japanese government-guaranteed issuer to tap the market. The paper was priced with a 12⅛ per cent coupon to yield 68 basis points over the equivalent government bonds. Traders said demand was unexpectedly strong from Japanese and UK institutions and the bonds were quoted comfortably inside fees at less 1.70 bid. Proceeds were thought to have been swapped into yen via floating-rate US dollars, but IBJ would not comment.

Swiss Bank Corporation launched its first mandated dollar deal for more than 18 months: a $250m three-year unswapped issue for General Electric Capital Corporation. The bonds were priced with a 9 per cent coupon at 101.45 to yield 37 basis points over Treasuries, a level described by syndicate officials as extremely tight.

However, strong demand from Switzerland underpinned the issue, which could easily be sold at less full fees. Several houses had declined their invitations, but subsequently sold large blocks. There was general comment that an ostensibly successful deal had generated little profit for underwriters.

An Ecu225m five-year deal was successfully launched by Crédit Lyonnais for Caisse Nationale des Autoroutes. The bonds offered an all-in yield of 10.53 per cent, considered generous against recent World Bank paper yielding around 10.44 per cent.

Officials said most sales were made comfortably inside fees around less 1.70 bid, and towards the close the paper was bid at less 1.65.

In Germany, the World Bank launched a DM200m callable 10-year deal via Commerzbank, with a simultaneous issue of 2m bond warrants, a structure last seen in 1986.

The bonds had a very strong reception from retail investors despite negative comment on the call feature. The paper was trading at less 0.30 bid against full fees of 1¾ points. By contrast, the warrants met slow demand and were trading at DM3 bid against the DM4.10 issue price.

Tuesday's DM300m floating-rate issue for the Bank of Greece was quoted by Dresdner Bank at 99.27 bid, down around 8 pfennigs on the day and outside fees. The deal is going slowly despite offering an attractive yield against the London interbank rate.

In Switzerland, Crédit Suisse launched a four-year private placement for General Motors and was quoting the paper inside fees at less 1⅛ bid. The same borrower's recent public issue was trading in the secondary market at 102¾ bid, down ¼ point on the day.

Trading in the primary market was again up-beat, with most prices closing unchanged to ¼ point higher.

● Swiss Bank Corporation confirmed that it would be launching a $500m wholesale auto receivable-backed deal in early July for a special-purpose vehicle known as DEALRs. The underlying loans are owned by Chrysler Corporation.

### INTERNATIONAL BONDS

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Browning-Ferris Ind.(a)§ | 225 | (6¾-7) | 100 | 2005 | 2½/1½ | CSFB |
| General Electric Cap.Corp(b)◆ | 250 | 9 | 101.45 | 1993 | 1⅜/1 | SBC |
| Best Ltd.(c)‡◆ | 111.3 | 25bp | 100.10 | 1993 | 10bp | Sumitomo Trust Int. |
| Banco di Sicilia(London)(d)‡◆ | 100 | (d) | 100 | 2000 | 25bp | IBJ Int. |
| **CANADIAN DOLLARS** | | | | | | |
| Japan Development Bank(b)◆ | 150 | 12⅛ | 101.55 | 1995 | 1⅞/1¼ | IBJ Int. |
| **ECUs** | | | | | | |
| Caisse Nat.des Autoroutes(b)◆ | 225 | 10½ | 101¾ | 1995 | 1⅞ | Credit Lyonnais |
| **D-MARKS** | | | | | | |
| World Bank(f)◆ | 200 | 9 | 99½ | 2000 | 1¾/1⅛ | Commerzbank |
| **SWISS FRANCS** | | | | | | |
| General Motors Corp.(b)★★◆ | 100 | 7¼ | 101¾ | 1994 | 1¼ | Credit Suisse |
| American Health Prop.(g)§ | 50 | (8½) | (g) | 2000 | n/a | S.G. Warburg Soditic |
| **YEN** | | | | | | |
| European Investment Bank(e)◆ | 20bn | 6⅝ | 100⅜ | 2000 | 1¾/1⅛ | Nomura Int. |

★★Private placement. ‡Floating rate notes. §Convertible. ◆Final terms. a) Additional $125m issued in US under rule 144a. Call at 103 from July 1993 declining by 1% p.a. to 100. b) Non-callable. c) Coupon pays 25bp over 6-month Libor. Secured by dual-currency bonds. Non-callable. d) Coupon pays 50bp over 6-month Libor first five years, then ⅝% thereafter. Call after five years at 100. Average life 7½ years if not called. e) Fungible with existing Y40bn bond launched in Feb. f) Call on coupon dates between 1992 and 1995 at par. 2m bond warrants issued separately entitling holder to buy 9% 10 year (non-callable) bond at 100¼. Warrants can be exercised on coupon dates between 1992 and 1995 at exercise price of DM4.10. Exercisable at rate of 50 warrants per DM5,000 g) Dual-currency convertible bond. Issue price SFr5,000. If not converted repayment in US$ at indicated $5,000 per SFr5,000.

## ICI sticks with well-oiled funding formula

**Andrew Freeman** examines the multinational chemical group's borrowing philosophy

International capital markets have been through astonishing changes in recent years, but Imperial Chemical Industries, the UK-based chemicals and pharmaceuticals group, has been remarkably consistent in its funding policies. Its approach is based on principles laid down in the 1960s which have been carefully guarded, even through the volatility of the late 1980s.

"We looked at the nature of the group and its needs and decided to operate its financing along some basic principles," says Mr Alan Clements, ICI finance director since 1979.

That philosophy is visible in ICI's suspicion of the swaps market and its reluctance to take on floating-rate debt. It is also expressed in the leanness of the finance department, which is a tightly run area given ICI's £13.7bn ($22bn) annual sales and £6bn UK production.

Just three staff concentrate on liquidity and currency management, while a similar number of corporate treasurers has responsibility for particular parts of the ICI group. (A separate finance subsidiary handles foreign exchange transactions.)

Four broad rules were prescribed in the 1960s.

● Long-term group gearing levels would not be allowed to exceed a ratio of 30 per cent debt to total assets, except in the case of large acquisitions where there was a likelihood of reducing the level quickly, for example by disposals.

● The group determined to keep a top credit rating (currently AA) so that it would always be in a position to tap the markets. To ensure this, interest payments must be covered at least six times by profits, although this figure has been as high as 11 times.

● Recognising that ICI would regularly be spending more than its available income, it would try to generate internal funds to match at least 80 per cent of outlays. This has made its presence in the markets much less visible than its competitors', its visits limited mainly to acquisition-related financing which has tended to be short and medium-term.

● Group financing should be highly centralised to allow borrowings in large, economic lumps and ensure that the best markets could be tapped. This policy grew out of ICI's huge expansion in Europe in the 1960s when UK exchange controls meant that it had to borrow in foreign currencies to fund non-UK growth.

"We realised that if we allowed our subsidiaries to do their own funding, we'd get into a hopeless mess," says Mr Clements. The result was a series of funding subsidiaries, raising money and passing it on to local units.

ICI's growth in Europe coincided with the development of the Eurobond market in which it was an early participant. The group's first Eurodollar bond issue was launched in the mid-1960s: "But we learned early on that markets come and go," says Mr Clements.

ICI found that when it wanted to borrow D-Marks the market could be against it, so it began to aim towards holding a basket of currencies to match its European assets.

In the 1960s and 1970s, the group smoothed its borrowing programme by trying to finance expansion in advance of the actual need for funds. After a well-documented corporate crisis in the early 1980s, its programme altered and was driven by the need for large chunks of acquisition-related funds.

"These were financed in the first instance by calling on our medium-term note programme, then we would move quickly for longer-term funding," says Mr Clements. Medium-term notes are debt instruments with fixed coupons and flexible maturity dates of between one and 15 years that can be tailored to investor demand.

The best example of this policy was the $2bn acquisition in 1987 of Stauffer, the US chemicals company, which Mr Clements describes as "almost like a military operation." ICI drew on short-term funds, made nearly $1bn worth of disposals before the October crash and then arranged longer-term funding for the balance.

ICI's policies have meant the group's borrowings are small in relation to its size. It currently has £1.7bn of medium and long-term borrowings. At the start of each year, the group evaluates its expected cash flows and expenditures and reviews its possible acquisition strategy.

"If we think we will be looking for sizeable funds, we take opportunities to raise money at good terms in advance. As far as possible, we think ahead."

This requires constant monitoring of the capital markets, a process aided by a more open attitude to the underwriting community in the main markets. ICI's old policy of having prime relationship contacts has been modified as an inevitable consequence of the liberalisation of markets and a greater flexibility of financing techniques that emerged over the later 1980s.

ICI now says that if it wants to use an idea presented by a non-prime relationship bank, it will tell its core banks that the originator can be the lead manager. This establishes the principle that the group is willing to hear ideas, a message considered more important than the danger that large houses might try to muscle in on the back of their placement power.

ICI's long-term approach of matching assets and investments with its currency exposure has meant keeping the swaps market at arm's length. "We've always been a little cautious," says Mr Clements. "We don't want to end up with a large book of swaps."

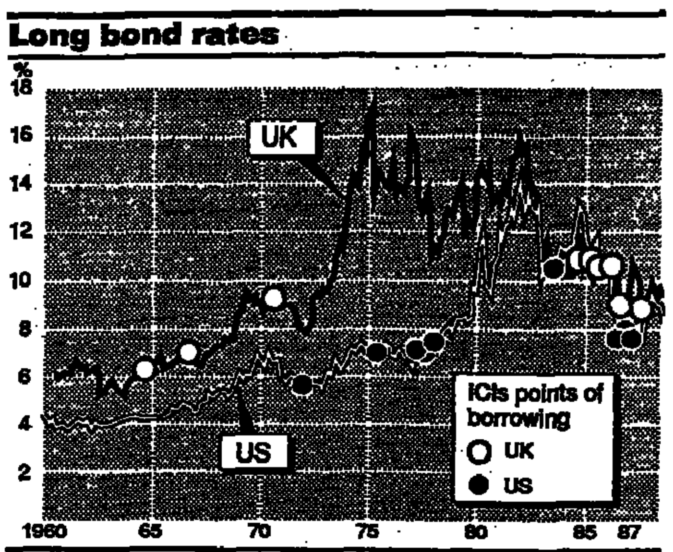
However, the group is forced to make an exception for the sterling market. This derives from institutional investors' concern over event risk – where external shocks like a hostile takeover or management buy-out might adversely affect a company's credit rating. Institutions dominate demand for Eurosterling bonds, and their worries led to a confrontation with borrowers over the protecting covenants written into the documentation of issues of securities.

Mr Clements believes that the strong covenants being championed by the institutions include a range of possibilities which many company managements will regard as restrictive.

"We're looking at ways we can modify our existing covenants, but if we have to we will borrow something else and swap the funds into sterling," he says. Last year the group launched two Australian dollar Eurobond issues both swapped into sterling funds at attractive rates below the London interbank rate.

In addition to its broad policies, ICI tries to maintain a consistent approach within its borrowing portfolio. For example, its use of fixed-rate funding has instilled an unwritten rule that no more than 30 per cent of total funding will be floating-rate debt. The chart shows why – it has successfully tapped the capital markets for fixed-rate funds over the years. The group's substantial short and medium-term facilities are all floating-rate, so it holds very little long-term floating debt.

**Long bond rates**




## Barclays plans $100m preference share issue in US

BARCLAYS Bank is issuing a further $100m of preference shares in the US to supplement its capital, writes Stephen Fidler.

The non-cumulative preference share issue, with no fixed maturity, will qualify as Tier 1 capital under Bank of England capital adequacy rules.

The issue, led by Merrill Lynch and co-managed by Goldman Sachs and Shearson Lehman, follows the issue of $500m of similar preference shares last year.

The issue announced yesterday is under a shelf registration statement lodged with the US Securities and Exchange Commission in April.

The shares carry a fixed interest rate – not set at the time of writing – and the option for Barclays to call the issue after 10 years. Last year's carried a five-year call.

The latest issue is being offered in two series – to benefit from UK tax treatment – which will be combined and sold in the US as American depositary receipts.

Barclays said the issue reduced the sensitivity of its capital to exchange rate movements, allowed it to strengthen its capital base without diluting shareholdings, and provided extra capacity to issue the lesser Tier II capital.

● Thames Water announced yesterday a £200m commercial paper programme, with a multi-currency option, arranged by NatWest Capital Markets. Barclays de Zoete Wedd, Lloyds Bank and UBS Phillips & Drew will also be dealers.

# LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Wednesday June 13 1990.

| | Equity groups & sub-sections | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Tue Jun 12 Index No. | Mon Jun 11 Index No. | Fri Jun 8 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (199) | 915.15 | +1.3 | 12.65 | 5.00 | 9.62 | 17.22 | 903.06 | 898.06 | 904.76 | 951.76 |
| 2 | Building Materials (27) | 1133.39 | +2.0 | 13.72 | 5.31 | 9.02 | 25.77 | 1111.28 | 1101.09 | 1109.98 | 1166.65 |
| 3 | Contracting, Construction (36) | 1437.62 | +1.0 | 16.74 | 5.71 | 7.78 | 34.64 | 1423.23 | 1420.06 | 1421.23 | 1631.87 |
| 4 | Electricals (10) | 2647.62 | +0.9 | 10.74 | 5.07 | 11.45 | 61.43 | 2622.81 | 2601.87 | 2617.40 | 2800.53 |
| 5 | Electronics (29) | 1913.75 | +1.1 | 9.50 | 3.90 | 13.62 | 21.38 | 1893.62 | 1887.17 | 1903.27 | 2228.78 |
| 6 | Engineering-Aerospace (8) | 502.42 | +1.4 | 12.90 | 4.64 | 9.24 | 9.42 | 495.44 | 491.33 | 493.39 | 0.00 |
| 7 | Engineering-General (43) | 504.53 | +0.8 | 11.39 | 5.04 | 10.61 | 8.93 | 500.48 | 498.23 | 501.91 | 0.00 |
| 8 | Metals and Metal Forming (6) | 499.03 | +1.3 | 23.53 | 6.72 | 5.04 | 2.46 | 492.56 | 492.00 | 498.78 | 536.65 |
| 9 | Motors (16) | 371.50 | +0.6 | 14.89 | 6.11 | 7.84 | 9.81 | 369.24 | 365.89 | 366.53 | 320.32 |
| 10 | Other Industrial Materials (24) | 1672.65 | +1.6 | 10.59 | 4.77 | 10.90 | 34.38 | 1645.62 | 1637.56 | 1653.42 | 1568.31 |
| 21 | CONSUMER GROUP (179) | 1338.50 | +1.6 | 9.12 | 3.77 | 13.55 | 19.74 | 1317.67 | 1303.92 | 1313.82 | 1210.64 |
| 22 | Brewers and Distillers (21) | 1638.69 | +1.3 | 9.35 | 3.54 | 12.94 | 23.35 | 1618.18 | 1604.15 | 1609.70 | 1318.95 |
| 25 | Food Manufacturing (20) | 1119.83 | +1.7 | 10.18 | 4.27 | 12.17 | 17.76 | 1100.88 | 1092.73 | 1104.72 | 1078.05 |
| 26 | Food Retailing (16) | 2530.09 | +0.9 | 9.18 | 3.25 | 13.99 | 33.61 | 2507.76 | 2472.38 | 2513.17 | 2335.62 |
| 27 | Health and Household (15) | 2632.07 | +1.1 | 6.54 | 2.63 | 18.20 | 24.15 | 2602.39 | 2591.14 | 2607.26 | 2181.41 |
| 29 | Leisure (31) | 1515.48 | +1.2 | 9.66 | 4.08 | 12.60 | 24.36 | 1497.19 | 1477.57 | 1486.07 | 1623.30 |
| 31 | Packaging & Paper (13) | 611.68 | +1.8 | 11.00 | 5.62 | 11.22 | 11.83 | 600.68 | 599.45 | 603.45 | 565.64 |
| 32 | Publishing & Printing (16) | 3559.94 | +1.3 | 10.07 | 5.18 | 12.45 | 79.26 | 3514.50 | 3461.61 | 3498.28 | 3526.44 |
| 34 | Stores (35) | 866.32 | +3.5 | 10.29 | 4.32 | 12.44 | 15.30 | 836.96 | 819.81 | 824.94 | 794.91 |
| 35 | Textiles (12) | 515.42 | −0.2 | 12.27 | 6.94 | 10.44 | 16.06 | 516.41 | 516.68 | 515.10 | 528.97 |
| 40 | OTHER GROUPS (104) | 1209.57 | +1.5 | 10.75 | 4.87 | 11.18 | 14.99 | 1192.26 | 1181.08 | 1189.45 | 1118.71 |
| 41 | Agencies (17) | 1695.80 | +1.3 | 5.94 | 2.33 | 20.38 | 14.99 | 1673.93 | 1668.65 | 1681.15 | 1364.94 |
| 42 | Chemicals (23) | 1335.16 | +1.8 | 10.55 | 4.96 | 11.08 | 31.17 | 1311.67 | 1299.41 | 1297.58 | 1271.90 |
| 43 | Conglomerates (14) | 1721.84 | +1.2 | 9.79 | 5.74 | 12.27 | 26.40 | 1700.72 | 1688.07 | 1702.47 | 1568.47 |
| 44 | Transport (13) | 2297.31 | +1.2 | 10.47 | 4.39 | 12.15 | 40.07 | 2270.53 | 2252.73 | 2271.48 | 2422.01 |
| 46 | Telephone Networks(2) | 1229.50 | +1.4 | 10.82 | 4.58 | 11.99 | 0.00 | 1212.13 | 1188.35 | 1196.31 | 1137.57 |
| 47 | Water(10) | 1978.70 | +2.3 | 17.57 | 6.84 | 6.30 | 0.00 | 1934.54 | 1919.81 | 1923.32 | 0.00 |
| 48 | Miscellaneous (25) | 1807.15 | +1.3 | 11.97 | 4.87 | 9.53 | 36.78 | 1784.22 | 1782.06 | 1811.32 | 1640.19 |
| 49 | INDUSTRIAL GROUP (482) | 1205.87 | +1.5 | 10.49 | 4.41 | 11.63 | 18.09 | 1188.27 | 1177.68 | 1186.39 | 1138.68 |
| 51 | Oil & Gas (18) | 2316.37 | +0.7 | 12.24 | 5.37 | 10.79 | 46.50 | 2300.83 | 2277.85 | 2284.99 | 2050.68 |
| 59 | 500 SHARE INDEX (500) | 1299.59 | +1.4 | 10.72 | 4.54 | 11.51 | 20.39 | 1281.99 | 1270.38 | 1279.05 | 1216.07 |
| 61 | FINANCIAL GROUP (107) | 818.64 | +1.2 | – | 5.57 | – | 20.36 | 809.18 | 804.21 | 809.81 | 723.49 |
| 62 | Banks (9) | 873.35 | +2.2 | 18.79 | 6.15 | 6.97 | 25.62 | 854.22 | 851.24 | 860.25 | 720.49 |
| 65 | Insurance (Life) (7) | 1436.42 | +0.4 | – | 5.11 | – | 36.94 | 1431.34 | 1416.26 | 1429.75 | 1050.52 |
| 66 | Insurance (Composite) (6) | 711.01 | +0.8 | – | 5.82 | – | 19.43 | 705.47 | 700.45 | 698.49 | 559.54 |
| 67 | Insurance (Brokers) (7) | 1057.76 | +0.8 | 8.21 | 6.17 | 16.06 | 27.41 | 1049.80 | 1044.43 | 1061.16 | 966.31 |
| 68 | Merchant Banks (7) | 455.55 | +0.9 | – | 4.35 | – | 8.55 | 451.67 | 450.38 | 452.54 | 331.12 |
| 69 | Property (47) | 1095.54 | +0.1 | 8.21 | 4.28 | 15.62 | 17.70 | 1094.09 | 1085.37 | 1093.48 | 1281.59 |
| 70 | Other Financial (24) | 308.88 | +0.5 | 12.05 | 6.21 | 10.84 | 5.96 | 307.21 | 304.55 | 305.21 | 360.29 |
| 71 | Investment Trusts (67) | 1228.17 | +0.5 | – | 3.17 | – | 15.14 | 1222.27 | 1215.26 | 1222.47 | 1143.09 |
| 91 | Overseas Traders (5) | 1443.23 | +1.0 | 9.62 | 6.33 | 12.46 | 43.49 | 1428.95 | 1423.34 | 1425.69 | 1276.20 |
| 99 | ALL-SHARE INDEX (679) | 1183.41 | +1.3 | – | 4.66 | – | 20.15 | 1168.08 | 1158.15 | 1166.01 | 1094.50 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Jun 12 | Jun 11 | Jun 8 | Jun 7 | Jun 6 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX♦ | 2405.4 | +34.7 | 2410.3 | 2390.1 | 2370.7 | 2348.8 | 2366.6 | 2378.4 | 2358.5 | 2133.6 |

### FIXED INTEREST

| | PRICE INDICES | Wed Jun 13 | Day's change % | Tue Jun 12 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years | 115.58 | +0.15 | 115.42 | – | 5.61 |
| 2 | 5-15 years | 122.10 | +0.55 | 121.43 | – | 5.66 |
| 3 | Over 15 years | 124.56 | +0.70 | 123.69 | – | 5.77 |
| 4 | Irredeemables | 141.58 | +0.31 | 141.15 | – | 6.36 |
| 5 | All stocks | 121.90 | +0.42 | 121.39 | – | 5.72 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years | 145.91 | +0.06 | 145.82 | – | 1.49 |
| 7 | Over 5 years | 139.03 | +0.30 | 138.62 | – | 1.72 |
| 8 | All stocks | 139.43 | +0.28 | 139.05 | – | 1.70 |
| 9 | Debentures & Loans | 98.38 | +0.23 | 98.15 | – | 5.64 |
| 10 | Preference | 73.91 | +0.10 | 73.84 | – | 3.09 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Wed Jun 13 | Tue Jun 12 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low Coupons | 5 years | 11.16 | 11.19 | 10.13 |
| 2 | | 15 years | 10.88 | 10.95 | 9.76 |
| 3 | | 25 years | 10.82 | 10.88 | 9.59 |
| 4 | Medium Coupons | 5 years | 12.13 | 12.20 | 11.33 |
| 5 | | 15 years | 11.26 | 11.37 | 10.28 |
| 6 | | 25 years | 10.92 | 11.01 | 9.81 |
| 7 | High Coupons | 5 years | 12.22 | 12.29 | 11.44 |
| 8 | | 15 years | 11.52 | 11.61 | 10.49 |
| 9 | | 25 years | 11.15 | 11.24 | 9.99 |
| 10 | Irredeemables† | | 10.85 | 10.88 | 9.57 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 5.11 | 5.12 | 3.89 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.12 | 4.13 | 3.83 |
| 13 | Inflation rate 10% | Up to 5yrs. | 4.11 | 4.12 | 3.18 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.95 | 3.96 | 3.67 |
| 15 | Debs & Loans | 5 years | 13.91 | 13.84 | 12.16 |
| 16 | | 15 years | 12.93 | 12.96 | 11.77 |
| 17 | | 25 years | 12.91 | 12.95 | 11.38 |
| 18 | Preference† | | 12.50 | 12.51 | 10.31 |

♦Opening index 2390.9; 9 am 2391.2; 10 am 2396.7; 11 am 2393.4; Noon 2402.2; 1 pm 2410.0; 2 pm 2408.4; 3 pm 2408.0; 4 pm 2404.5; 4.10 pm 2402.3; (a) 1.46pm (b) 9.07am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 81 | 0 | 17 |
| Corporations, Dominion and Foreign Bonds | 12 | 0 | 11 |
| Industrials | 565 | 214 | 800 |
| Financial and Properties | 223 | 109 | 410 |
| Oils | 30 | 22 | 36 |
| Plantations | 0 | 1 | 9 |
| Mines | 20 | 45 | 100 |
| Others | 84 | 35 | 127 |
| Totals | 1,015 | 426 | 1,510 |

### LONDON RECENT ISSUES

#### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price | + or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| – | F.P. | – | 130 | 110 | ABI Leisure 10p | 130 | | R4.7 | 3.1 | 4.8 | 8.5 |
| [illegible] | | | | | | | | | | | |

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

### LONDON TRADED OPTIONS

[illegible]

### TRADITIONAL OPTIONS

● First Dealings June 6
● Last Dealings June 15
● Last Declarations Sept 6
● For settlement Sept 17

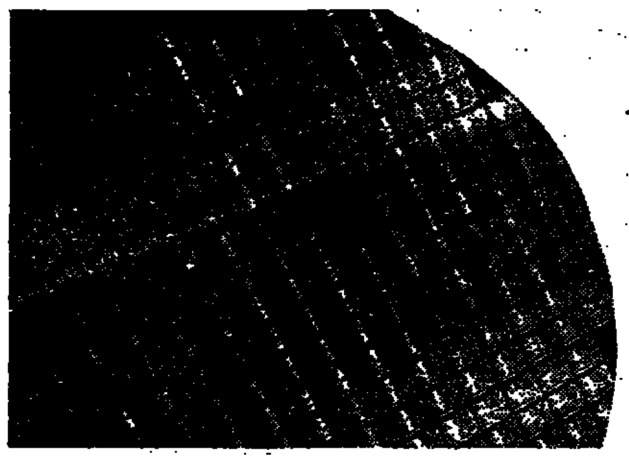
For rate indications see end of London Share Service

Calls: Aaronson, Aviva, Ford Sellar Morris, Gaelic Res., Hazlewood Foods, Ivernia West, Tuskar Res., Oliver Res.

THE POWER OF BELIEF: No. 2 in a series

Who will nourish the seeds of tomorrow's technologies?

The handmaiden of every new technology is risk. There are no guidebooks to the New. ■ Success or failure often hinges on instinct, and the willingness to invest in a belief. ■ Decades ago, Motorola committed millions to an emerging technology that many dismissed as a gimmick. Today, cellular phones are used in more than 40 countries. And, we produced the first hand-held cellular portable phone. In 1989, we introduced the Motorola Micro T•A•C® Personal Telephone, shirt-pocket small, with a fraction of the parts of the original cellular phone. ■ These developments, along with others, are the product of an annual R&D investment more than twice the world average. Such is the measure of our belief.



*These superpowerful MC68HC11 microcontrollers made in East Kilbride are destined for a host of applications, from cameras to automobiles.*

*The new, body-friendly Motorola Micro T•A•C™ Personal Telephone is the smallest cellular telephone ever made.*

Building On Beliefs

MOTOROLA

## UK COMPANY NEWS

## Charles Leadbeater reports on the two Racal results

# Telecom up 95% despite price competition

RACAL TELECOM, the mobile communications group controlled by Racal Electronics, yesterday announced a 95 per cent increase in pre-tax profits to £164.8m, in spite of a bout of intense price competition in the second half of last year with its main competitor Cellnet, which is owned by British Telecom.

Mr Gerry Whent, Racal Telecom's chief executive, predicted strong growth in Vodafone, the company's cellular communications business. The number of subscribers, which has risen from 500,000 at the end of March to about 550,000 this month, was growing at the rate of 200,000 a year, he isaid. Growth this year remained strong in spite of the slowdown in the economy.

However, Mr Whent warned that the mobile communications market was likely to become increasingly volatile as it matures, with customers changing their sets. Customer turnover, the so-called churn rate, has increased from about 15 per cent a year to 18 per cent, as people realise the cost of using the service.

Mr Whent said both Racal Telecom and BT were counting the costs of "last year's excesses" when new customers were offered heavy discounts.

Racal Telecom believes its customer base will gradually spread with more large companies purchasing mobile communications systems and more customers using portable phones rather than car phones.

In spite of the strong performance, the group is unlikely to turn into a cash generator for Racal Electronics for some time. Mr Whent said the group was committed to a heavy programme of capital spending to improve the service's quality after criticism last year.

Sir Ernest Harrison: joint venture best way forward

Capital spending rose by 70 per cent last year to £155m and is likely to rise to £200m this year. The company expects to invest about £75m a year on personal communications. Orbitel, the equipment manufacturing subsidiary – which it used to run as a joint-venture with Plessey before its takeover by the General Electric Company and Siemens, the West German group – will also demand investment.

Mr Whent said the company was expanding its international operations, by starting cellular services in France and Malta, and through bids to become a mobile communications provider in Italy and Poland.

However, he said the company was also facing increasing pressures on the recruitment and retention of key staff, as competitors built up the personal communications systems they plan to launch in 1992-93.

The near doubling of pre-tax profits was achieved on a turnover of £405.8m, a 69 per cent increase on 1988-89. The company expects to use up a small cash balance during the course of the year.

Its tax bill more than doubled to £46.3m (£22.45m). Earnings per share rose 91 per cent to 11.85p (6.21p). The directors are recommending a final divided of 1.7p making a total of 2.4475p, a 92 per cent increase on the notional net payment of 1.275p for the year March 31 1989.

Mr Whent said all the company's other businesses were performing well. Vodapage went into profit in the last quarter of the last financial year while Vodac, the equipment provider is expected to make a profit this year after losses in 1989-90.

# Electronics may participate in radar joint venture

RACAL ELECTRONICS will hold talks with potential partners within the next two weeks which could pave the way for it to put its radar business into a joint venture.

Sir Ernest Harrison, the chairman, said discussions had been held with British, European and US defence companies over collaboration in the radar field. He said a joint venture would be the best way forward in the light of the decline in military spending.

Sir Ernest was speaking after announcing a 13 per cent increase in pre-tax profits to £201m for the year to March 31, on a 24 per cent rise in turnover to £1.97bn. The downbeat results were generally in line with City expectations.

Racal's talks, which follow GEC-Marconi's acquisition of Ferranti's radar interests, come amid increasing collaboration between European defence contractors to develop the next generation of radar.

Sir Ernest said the company had given up attempts to sell its defence businesses even though profits halved to £6.6m.

He said the company would rationalise several of its businesses during the year, particularly in defence and radio communications, with about 950 redundancies, after 1,500 in the past year. The future of several businesses was under review and the company intended further diversification away from defence.

However, despite the drive to cut costs, the company expected this year to be fairly flat.

The improved result was almost entirely due to a 95 per cent rise in pre-tax profits at Racal Telecom, the subsidiary in which Racal Electronics has an 80 per cent stake following its flotation in October 1988.

Profits from the remaining businesses fell from £96m to £94m on a 16 per cent increase in turnover to £1.56bn.

Profits at the data communications division halved to £13m on an 17 per cent increase in turnover to £335m, mainly due to unexpected losses at the Network Communications group it acquired in January from Digital Communications Associates, the US group.

Redundancy and rationalisation costs created an exceptional debit of £15m (£14m credit). Interest charges rose by £7m to £20.6m, as net debt climbed to £345m, making a debt to equity ratio of 45 per cent (12 per cent).

Profits from the largest division, security, which rose by £7m to £45m, were held back by a poor performance in continental Europe where a number of small acquisitions have failed to give it a significant share of the market. In the long run the company believes it needs to make a major acquisition on the continent.

Two other divisions showed substantial improvements – marine and energy, where profits rose 65 per cent to about £13.5m, and its specialised businesses, which turned in £6m after a small loss last year. Radio communications was virtually static at £9.4m.

A final dividend of 2.6565p is proposed for a 3.609p total. Earnings were 9.1p (9.22p).

See Lex

## Ladbroke sees good progress

Ladbroke Group interim profits for 1990, to be announced on August 29, would again show good progress, Mr Cyril Stein, chairman, told the AGM.

The group was negotiating to sell equity in its wholly owned hotel in Barcelona, while a decision had been taken to dispose of 80,000 sq m of surplus land in Guam to Japanese interests.

## RKF buys rest of Guildbourne

RKF Group is to buy the outstanding 50 per cent of Guildbourne Properties, allowing it to control the letting and disposal of Guildbourne's properties and complete the wind down of RKF's commercial development activities. Consideration will be an initial £600,000, satisfied by 923,000 RKF ordinary at 65p each and a cash payment related to profits to June 30 1991.



# Mansfield Brewery meets City expectations with £8.83m

By Philip Rawstorne

MANSFIELD BREWERY, the east Midlands, Humberside and South Yorkshire regional brewer, yesterday reported pre-tax profits of £8.83m for the year to March 31 1990.

The results were in line with City expectations and only marginally below last year's £8.99m in spite of a £1.2m reduction to £316,000 in property profits.

Turnover increased by 18 per cent to £90.9m (£77.18m) and trading profit was 13 per cent higher at £8.52m (£7.53m).

Mr Geoffrey Kent, chairman, said: "Our improving product portfolio . . . gave us increases in beer volumes despite the sale of 21 pubs. Take-home beers virtually doubled and sales of our cider products improved by 30 per cent."

Earnings per share were virtually unchanged at 42p. After eliminating the effect of property surpluses, underlying earnings grew by 7.7p per share.

A final dividend of 7.9p is recommended, making a total of 11.3p, some 19 per cent higher than last year's 9.5p.

Mr Kent said the company's progressive investment programme, totalling £17.6m, had increased the proportion of debt to shareholders' funds from 25.4 per cent to 30.4 per cent. "We expect borrowings to increase in the future as we pursue our retail-led expansion" he added.

● **COMMENT**

Mansfield's results continue the run of good news coming from the northern regional brewers who seem to be finding markedly better trading conditions than those in the south and south-west. With its strengthened portfolio – including Foster's and Red Stripe lagers and its own relaunched Riding cask-conditioned ale – Mansfield's sales have recovered strongly from the disappointments of 1987-88. "It has earned its remission," said Mr Eric Frankis, analyst at UBS Phillips & Drew. The company is now seeking post-MMC opportunities in guest-ale agreements with the major brewers or wholesalers, and in leasing pubs from national brewers' estates. Prospects for further growth are good. Analysts are forecasting pre-tax profits of £10m next year with earnings per share rising to 44.5p.

# Eight Haden businesses plan buy-out

HADEN MACLELLAN Holdings, the diversified industrial group, is planning to sell eight of its smaller businesses to a management team supported by Schroder Venture Capital, writes Andrew Bolger.

Mr Melvyn Hawley, Haden's managing director, said the businesses had annual turnovers ranging from £1m to £5m.

It is believed they will fetch a total of between £5m and £10m.

Mr Hawley said they were all good, profitable businesses but needed more attention than the current Haden management could afford to devote to them.

He said Schroder would take a controlling stake in the venture and bring in some outside management, but he did not expect any deal to be concluded before July.

# Revamped Salvesen pleases with £62m

By Andrew Bolger

CHRISTIAN SALVESEN, the diversified food distribution and industrial services group, pleased the stock market yesterday with an 18.5 per cent increase, from £52.4m to £62.1m, in pre-tax profits for the year ended March 31 1990.

The shares rose 15p to 182p after the results.

Turnover advanced 22 per cent to £381m (£312m), while earnings and dividend were both ahead 25 per cent – earnings to 15p (12p) and the dividend to 6p (4.8p) via a final of 3.5p.

Mr Chris Masters, who took over as chief executive in October, said Salvesen was seeing the benefits of a reorganised management structure, which had removed a layer of administration and moved all but essential corporate functions out of the group's Edinburgh base and back into the operating units.

The group was now focused on three core activities: distribution, manufacturing and specialist hire.

On the distribution side, sales grew by 24 per cent to £223m, but trading profit advanced by only 9.5 per cent to £27.6m.

Mr Masters said Europe had seen a year of mixed fortunes, with poor performances in France and the Netherlands being partly offset by reasonable trading in Belgium.

Mr Masters said: "We have established a strong position in five of the major European markets serving both retailers and manufacturers. Profitability has so far been disappointing, as the move to third-party distribution has so far been much slower than we anticipated.

In manufacturing, Mr Masters said previous investment enabled Salvesen Brick to increase output and maintain the previous year's profits level when national demand for bricks was down by over 30 per cent at the year-end.

The star performer was the group's specialist hire division, which saw sales grow by 62 per cent to £86m and trading profit increase by 63 per cent to £15.3m. This was mainly attributable to Aggreko, acquired by Salvesen in 1984.

● **COMMENT**

The new broom being wielded by Mr Masters has produced much better results than the City was expecting, and that given the figures included reorganisation costs of £2m, which were taken above the line. Having got out of shipping, he is likely to continue the focusing process by quitting cold storage in France, the Netherlands and the west coast of America. Analysts are forecasting pre-tax profits of about £68m next year, which puts the shares on a prospective multiple of 11. After yesterday's advance they may not make much short-term headway, but the company should eventually make more progress in Europe. Given Salvesen's strong cash-generative qualities and the growth prospects of Aggreko, the shares look a good long-term prospect.

# New business gains help CE Heath advance to £27m

By Patrick Cockburn

CE HEATH, the insurance broker, increased pre-tax profits by 13 per cent, from £24.1m to £27.3m, in the year ended March 31 1990.

Both UK brokerage and underwriting operations in Australia showed improved performance, as did Pinnacle, the Bermuda-based reinsurance arm.

Mr Richard Fielding, chairman, said that in spite of the multiple catastrophes of late 1989 and early 1990 there was no sign of any strengthening of premium rates.

Nevertheless, broking income was ahead 18 per cent to £60m and profits up 14 per cent to £14m (£12.3m) as a result of new business gains.

A final dividend of 18.375p maintains the total at 25.875p.Earnings rose to 33.8p (31.8p) per share.

Heath had also sought to expand its UK retail network, acquiring Collins Halden, the largest independent broker in Scotland. With 24 offices in England and Scotland retail brokerage now provided 39 per cent of the group's total UK brokerage.

The underwriting performance showed a 23 per cent increase in profits to £16.3m (£13.2m). The best news here was the A$23m (£10.5m) profit from Australia CE Heath International Holdings group, which specialised in liability insurance, in its first full year of operations.

The group had particular strength in professional indemnity, product and public liability and workers' compensation, though its funding costs were considerable.

Nevertheless, good results from Australia were still to some extent masked by the run-off of old workers' compensation business written by CE Heath in Australia before 1985, when a large part of the business was nationalised in Victoria. The run-off cost the company A$5m last year.

Pinnacle Reinsurance in Bermuda produced profits of £7.4m (£6.6m). The company was clearly relieved that it was no longer under the threat of litigation alleging fraudulent conspiracy in the US courts over the Mentor case.

More capacity was entering the market but Pinnacle was likely to benefit from the demand for more long term insurance by Lloyd's syndicates suffering from recent disaster losses.

The company also announced yesterday that it was introducing an incentive scheme for senior executives. Initially it will make a £4.5m interest-free loan to a trust which will invest in Heath shares. It will subsequently make gifts to the trust of up to 5 per cent of pre-tax profits including interest foregone on the initial loan.

● **COMMENT**

Heath remains a collection of businesses without a single solid core. In the past its profits have been vulnerable to the vagaries of workers' compensation in Australia or the threat of litigation against its reinsurance subsidiary in Bermuda. This said, pre-tax profits for 1989 look impressive, with the legacy of past difficulties in Australia evidently under control. Specialisation in underwriting liability insurance makes the company less vulnerable to rate cuts. Nevertheless, profits will probably have to get up towards £31m for shareholders to see an increase in the dividend while the outlook for brokers in general in the 1990s looks uncertain.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Bimec Inds § | fin | 0.67 | - | - | 1 | - |
| Cable & Wireless | fin | 6.9☆ | Oct 1 | 5.16 | 10 | 7.98 |
| Cape | fin | 7 | Aug 6 | 5.5 | 9.5 | 7.5 |
| Castletown § | fin | 1.825♣ | - | 1.625* | 2.95* | 2.625* |
| Chemring | int | 9 | July 27 | 8.25 | - | 24.5 |
| Clayhithe | fin | 4.2 | - | 2.75 | 6 | 4.25 |
| European Colour | fin | 0.4 | July 27 | 0.75 | 0.6 | 1.15‡ |
| Faupel Trading § | fin | 3.05 | - | - | 4.9 | 4.875 |
| Heath (CE) | fin | 18.375† | Aug 3 | 18.375 | 25.875 | 25.875 |
| Learmonth/Burch§ | fin | 1.4† | - | 1.4 | 2.2 | 2 |
| Ldn Scottish Bk | int | 0.875 | Aug 3 | 0.75 | - | 2.4 |
| Lookers | int | 2 | - | 2 | - | 6.2 |
| Mansfield Brew | fin | 7.9 | Sept 5 | 7.25 | 11.3 | 9.5 |
| Osborne & Little | fin | 3.8 | July 23 | 3.8 | 5.8 | 5.8 |
| Racal Elect | fin | 2.6565† | - | 2.275* | 3.609 | 3.008* |
| Racal Telecom | fin | 1.7 | - | 0.7 | 2.4475 | 1.275 |
| Regalian Props | fin | 2.5 | - | 2.5 | 4 | 4 |
| Safeland | fin | 2.24 | Aug 31 | 2 | 3.84 | 2 |
| Salvesen (Chris) | fin | 3.5 | Aug 10 | 3.1 | 6 | 4.8 |
| Shaw (Arthur) § | fin | 2.8 | Aug 22 | 2.7 | 4.1 | 3.8 |
| Stainless Metal§ | int | nil | - | nil | - | 1 |
| Waddington (J) | fin | 4.3 | July 28 | 3.9 | 7.9 | 7.3 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡For 15 months. ♣Irish currency.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

**TODAY**

Interims- Brunner Investment Trust, Flexello Castors & Wheels, Kleinwort Charter Investment Trust, Lovell (YJ), VPI, Watson & Philip, Whewey.

Finals- Cater Allen, Cropper (James), Darby Group, FKI, Finlay (James), Johnson Matthey, London International, Neotronics Technology, Northumbrian Fine Foods, Rothschild (J), Scapa, Smith New Court, Staveley, VSEL Consortium.

**FUTURE DATES**

| | |
|---|---|
| Interims- | |
| Invicta Sound | June 18 |
| River Plate & Gen Inv Tst | June 21 |
| Sheriff | June 20 |
| Finals- | |
| Chloride | June 22 |
| Logitek | July 12 |
| Neepsend | June 28 |
| TGI | June 21 |

## NEWS DIGEST

## European Colour falls to £0.26m

EUROPEAN Colour, the south London-based chemical colour manufacturer, saw taxable profits dip to £263,000 in the year to end-March, down from £707,000 in the previous 15-month period to March 31 1989.

The outcome, however, represented a marked improvement on the first half when the group reported profits of just £9,000.

Mr John Finchett, chairman, said the result reflected improved output from the reorganised and restructured southern plant.

Turnover fell to £11.83m (£15.98m), although sales to Europe accounted for over 15 per cent of the total, up from 9.5 per cent previously. Earnings per 5p share fell from 2.07p to 1.12p and the proposed final dividend is 0.4p, making a total for the year of 0.6p (1.15p).

## Southwest Resources to merge with ADG

Southwest Resources and ADG are to merge via a recommended offer valuing ADG at about £4.8m.

The terms are five Southwest ordinary shares for every ADG share.

Southwest, the USM-quoted former subsidiary of the failed Dominion International Group, yesterday also reported its results for the year to March 31.

The loss before tax was reduced from £11.04m to £10.45m on turnover which surged to £9.65m (£2.95m). There was a profit of £96,000 (£1.08m loss) before exceptional items took £10.55m (£9.97m). After a tax credit of £49,000 (£20,000) the loss per share was lower at 4.55p (22.17p).

The offer for ADG, the USM-quoted advertising and recruitment group, rules that its forecast final dividend of 0.5p per share for the year to June 30 will not be declared.

## Losses increase at Stainless Metalcraft

Stainless Metalcraft, the USM-quoted maker of precision equipment and components for the aerospace, electricity and nuclear industries, suffered pre-tax losses of £256,000, against £215,000, in the six months to the end of February. It is again passing its interim dividend.

Turnover rose to £3.66m (£3.38m) and losses per share worked through at 3.3p (2.6p).

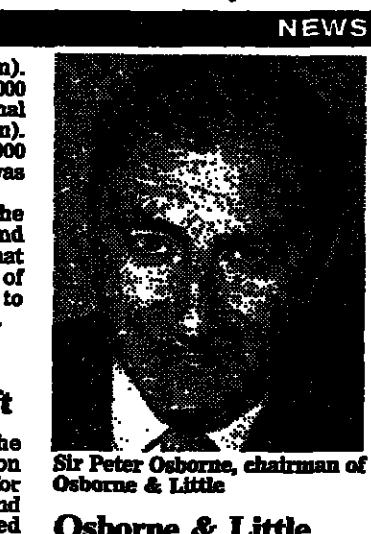
Directors said they anticipated, in the absence of unforeseen circumstances, to recommend a maintained 1p final dividend.

## Castletown Press improves 62%

Castletown Press, the Irish stationery and printing group which recently graduated from the Third Market to the USM, reported taxable profits of I£315,744 (£292,491) for the 12 months to April 30.

The result – up 62 per cent on the I£195,057 achieved in the previous year – came on turnover almost doubled at I£2.01m.

Earnings per share improved to 9.52p (5.79p), and a proposed final dividend of 1.825p makes for an adjusted total of 2.95p (2.625p).



Sir Peter Osborne, chairman of Osborne & Little

## Osborne & Little down to £1.73m

Taxable profits fell 26 per cent at Osborne & Little in the year to March 31, bearing out the company's caution over the effects of the recession in the housing market.

The decline from £2.33m to £1.73m came on sales up 37 per cent from £12.11m to £16.58m.

During the 12 months, the company, which designs and sells furnishing fabric and wallpaper, made 60 per cent of its sales overseas and expects further growth from that source.

Fardis, the new French subsidiary acquired in July, will control distribution through Europe. US sales were up 30 per cent in dollar terms.

UK trade sales fell 3 per cent, with the worst spots in London and the south-east. However, the final dividend is maintained at 3.8p, for an unchanged total of 5.8p.

## Industrial Credit advances 67%

Industrial Credit Corporation of Ireland lifted pre-tax profits by 67 per cent from I£2.52m to I£4.22m (£3.94m) in the half year to April 30.

Income grew 38 per cent to I£55.05m (I£39.87m). After tax of I£1.1m (I£634,000) earnings per share increased from 15.7p to 26p. An unchanged interim dividend of 3p is declared.

Directors welcomed the proposed intention to appoint financial advisers on the future development and capital requirements of the group.

## Faupel Trading lower at £1.02m

Faupel Trading Group, a textile and clothing importer which came to the USM a year ago, reported reduced pre-tax profits of £1.02m for the year to March 31 1990, compared with £1.45m last time.

Directors believed that high interest rates – finance charges more than doubled to £703,000 – would continue to affect consumer spending in the short term.

Turnover rose to £18.5m (£13.9m) and operating profit was almost held at £1.73m (£1.77m). Earnings were 8.5p (13.1p) and the final dividend is 3.05p to make 4.9p (4.875p).

## Bimec Industries jumps to £2.77m

Bimec Industries, the USM-quoted maker of plant for the treatment of effluent and other automated electronic control equipment, quadrupled pre-tax profits from £704,000 to £2.77m in the year to March 31.

Mr Sam Smith, executive chairman, said the current year had started well, with an order book of £31m (£15m). Bimec remained committed to growth, both organic and by acquisition.

Turnover trebled to £32.18m, against £9.85m. A final dividend of 0.67p is proposed, for a total of 1p. Earnings per 5p share rose to 3.3p (1.1p).

## Craton Lodge showing recovery

Craton Lodge & Knight, the product development group, yesterday unveiled a sharply reduced deficit for the six months to March 31.

Since that date, the USM-quoted group has undergone a substantial reorganisation which included a financial reconstruction, management changes and the sale of four subsidiaries, leaving just the core new product development operation.

Turnover, reflecting the disposals, declined 17 per cent to £1.71m (£2.06m) and the loss for the period emerged at £97,000, down from £587,000 in the corresponding period of the previous year, and struck after exceptional costs of £58,000 relating to the reorganisation.

The loss per 1p share worked through at 1.66p (9.67p). There is again no interim dividend.



## PUBLIC WORKS LOAN BOARD RATES

Effective June 13

| Years | Quota loans repaid by EPT† | At†† | at maturity§ | Non-quota loans A* repaid by EPT† | At†† | at maturity§ |
|---|---|---|---|---|---|---|
| 1 | | | 13⅞ | | | 14⅝ |
| Over 1 up to 2 | 13¾ | 13¾ | 13¼ | 14¾ | 14¾ | 14 |
| Over 2 up to 3 | 13½ | 13⅜ | 12⅞ | 14½ | 14⅜ | 13⅝ |
| Over 3 up to 4 | 13¼ | 13⅛ | 12⅝ | 14¼ | 14⅛ | 13⅜ |
| Over 4 up to 5 | 13 | 12⅞ | 12½ | 14 | 13⅞ | 13¼ |
| Over 5 up to 6 | 12¾ | 12¾ | 12⅜ | 13¼ | 13¼ | 12⅞ |
| Over 6 up to 7 | 12⅝ | 12⅝ | 12⅜ | 13⅛ | 13⅛ | 12⅞ |
| Over 7 up to 8 | 12⅝ | 12½ | 12⅜ | 13⅛ | 13 | 12⅞ |
| Over 8 up to 9 | 12½ | 12½ | 12⅜ | 13 | 13 | 12⅞ |
| Over 9 up to 10 | 12½ | 12⅜ | 12¼ | 13 | 12⅞ | 12¾ |
| Over 10 up to 15 | 12⅜ | 12¼ | 11¾ | 12⅞ | 12¾ | 12¼ |
| Over 15 up to 25 | 11⅞ | 11½ | 11⅜ | 12⅜ | 12 | 11⅞ |
| Over 25 | 11½ | 11¼ | 11¼ | 12 | 11¾ | 11¾ |

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

## UK COMPANY NEWS

# Residential malaise cuts Regalian back to £11m

By Vanessa Houlder

THE PROBLEMS of the property sector were underlined further yesterday when Regalian Properties, the commercial and residential developer, announced pre-tax profits more than halved from £25.59m to £11.05m for the year to March 31.

The results reflected the malaise in the residential property market, which has been hit by the rise in mortgage rates to their highest level since 1981.

The profits stemmed entirely from interest of £11.82m (£1.05m), received from Regalian's Vauxhall Cross office development in south London, which has been pre-sold to the government-owned Property Services Agency.

Administrative expenses exceeded the gross profit of £4.14m (£28.75m) by £743,000. Turnover fell from £107.82m to £39.43m.

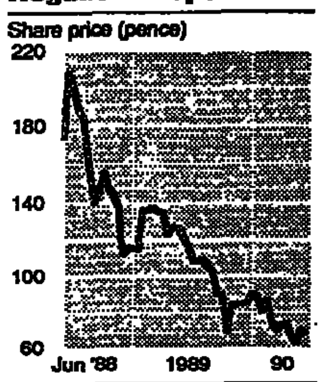
However, Mr David Goldstone, chief executive, said he was confident that in the current year Regalian's creative marketing approach would achieve a reasonable cash flow in its residential portfolio, which consists of properties worth £180m, as well as the £93m Kensington Palace Gardens project under construction.

He claimed that the 50/50 scheme, by which buyers put down a 50 per cent deposit for a half-interest in their home, with five years to purchase the balance at the prevailing market rate, had been a "dramatic success." Contracts had been exchanged on 85 properties, worth between £17m and £20m.

Mr Robert Perdeaux, finance director, said the 50-50 scheme had been offered on 800 properties. If most of the 40 people who had also reserved a property went on to exchange contracts, then some 15 per cent of the properties would have been sold in a four-month period, which he considered was a pretty good outcome in the present climate.

Mr Goldstone said the company was also bolstered by its move into commercial property. "The foresight Regalian has shown over the last two years, which now enables the company to enjoy a more balanced portfolio of residential and commercial property, has secured the position of the company."

**Regalian Properties**




Two properties under construction in the commercial property portfolio, at Vauxhall Cross and Red Lion Court had been pre-sold and pre-let respectively. No money would be spent on its six properties at planning stage until market conditions justified it, said Mr Goldstone. He stressed that Regalian did not have the cash flow problems that could arise from an extensive speculative construction programme.

The Red Lion Court development had been included in the accounts at the directors valuation, which gave rise to a surplus of £9.88m.

Mr Goldstone said that although the group had significant funding facilities in place and a cash balance, it would take a cautious approach to acquisitions.

"I do not subscribe to the view that there are massive opportunities currently available. We would rather lose an opportunity than make a loss or lose shareholders' funds. It is prudent, it is cautious, but it is realistic," he said.

He predicted that buoyancy would return to the market in the autumn of 1991, followed by a substantial uplift to the prices of residential property in 1992 or 1993.

The company has a cash balance of £89.88m, gross borrowings of £73.44m, net book assets of £131.39m. Net assets per share at the year-end were 149.6p (133.9p).

Earnings per share fell from 18.01p to 8.33p. A proposed final dividend of 2.5p makes an unchanged 4p for the year.

**● COMMENT**

Life is undoubtedly tough for property developers, but Regalian seems well placed to weather the storm. After its move into the commercial sector three years ago, its successful attempts to pre-sell or pre-let the properties has given it a reasonably secure position. The interest income from the Vauxhall Cross down-payment will provide a chunky, if diminishing, source of profits over the next four years. But even if Regalian is a relatively safe bet for a developer, it is hardly an inspiring one. Its strenuous marketing efforts are making some impact on its £180m portfolio of London flats, but even so, its efforts to clear the decks of residential property will be a slow one. The shares, up 2p to 71p, are unlikely to make much progress until a drop in interest rates is in the offing.

# Fresh fare concessions at Eurotunnel

By Andrew Taylor, Construction Correspondent

EUROTUNNEL, the Anglo-French Channel tunnel group, will offer concessions on tunnel fares to shareholders subscribing to this Autumn's planned rights issue.

The offer made in a letter to shareholders, said the concessions would be detailed later this year.

Eurotunnel is due to raise its capital by about FFr 2.5bn and £250m in the Autumn.

Eurotunnel made a limited offer of travel concession to larger shareholders when its shares first went on sale to the public. Shareholders purchasing 1,500 shares received unlimited free travel through the tunnel.

# Arthur Shaw hit by downturn in housing

ARTHUR SHAW, the USM-quoted maker of window fittings, slipped back in the second half and saw pre-tax profit for the year to April 1 1990 fall from £1.15m to £839,000.

The outcome reflected reorganisation costs of £74,000.

Mr Ian Tickler, chairman, said the downturn in UK domestic house building accelerated in the second half, with pressure from major customers to hold down prices when the company's costs were increasing.

The housing association and local authority markets remained buoyant. Penetration into the uPVC and aluminium framed sectors continued satisfactorily.

Turnover showed little change at £13m. Earnings fell to 7.32p (10.08p). The recommended final dividend is 2.8p for a total of 4.1p (3.8p).

# All-round growth lifts Clayhithe to £5.3m

Clayhithe, which provides finance and management for companies and is also involved in property development, lifted pre-tax profits by 27 per cent, from £4.13m to £5.25m, in the year to March 31 1990.

Mr John Jones, chairman, said both divisions contributed to the profits rise. A part of the company's strategy was to develop a third division – professional services. A start was made during the year with the acquisition of Directorship Appointments, an executive search and recruitment business which, he believed, had good potential for expansion and development.

He added that the group had a strong balance sheet which had been further strengthened since the year end by a number of realisations.

Turnover rose to £23.38m (£20.7m) and after tax and minorities, earnings per share worked through at 21.08p (17.29p) basic.

The proposed final dividend is 4.2p to lift the total from 4.25p to 6p.

# Corporate punishment with beet and cane

## Maggie Urry looks at Tate's Berisford bid, sugar and the MMC

THE MONOPOLIES and Mergers Commission appears to have an almost insatiable craving for sugar.

Yesterday's referral of Tate & Lyle's proposed bid for Berisford International, which owns British Sugar Corporation, is the third time since 1982 that a bid in the UK sugar industry has been referred to the MMC.

This suggests, first, that sugar is recognised by government to be a vital commodity, one where consumers must be protected from monopolistic suppliers.

More importantly, perhaps, the regularity of referrals shows that companies continue to be dissatisfied with the structure of the industry. This dissatisfaction might be motivated by a threat to profits – or by greed.

In the UK there are two sugar producers – Tate making cane sugar and British Sugar refining sugar beet. In 1982 Berisford bought British Sugar, after an MMC investigation. In 1986 bids from Ferruzzi, the Italian-owned sugar company which also controls French sugar company Béghin-Say, for British Sugar and from Tate for Berisford were both referred. The report, published in February 1987 after a lengthy investigation, found that either takeover would be against the public interest.

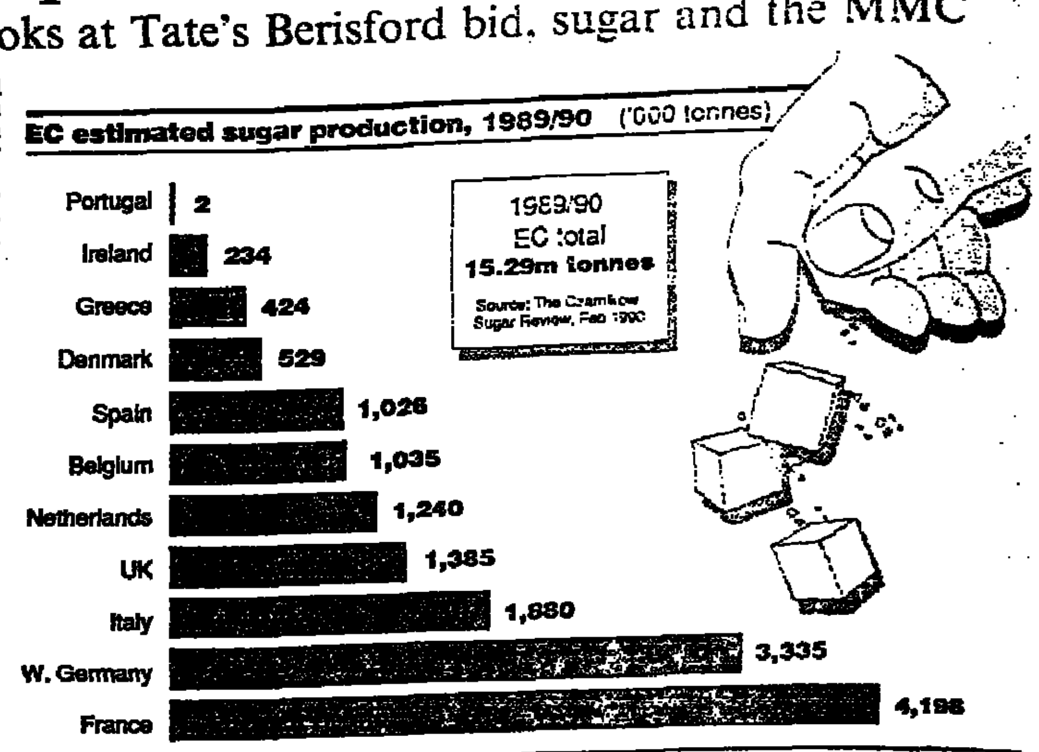
Sugar prices are set by the European Community, effectively guaranteeing prices to sugar beet farmers, and ensuring profits to efficient sugar beet processors. But this pricing mechanism is not so generous to cane refiners.

Cane sugar is imported to the EC from African, Caribbean and Pacific countries (ACP), and in the main continues the UK's policy of buying from old Commonwealth countries. This policy dates back to before the UK's EC membership. The EC is committed to maintaining these purchases under the Lomé Convention.

Tate argued in 1987 that by taking over British Sugar it could guarantee the future of its cane refineries, by far the largest refiners of ACP cane.

Within Europe a number of alliances have been forged recently – for instance the marketing tie-up between Générale Sucrière and Sucre Union in France called Euro Sucre and the concentration of the Danish industry into one group, De Danske Sukkerfabrikker.

**EC estimated sugar production, 1989/90** ('000 tonnes)




In 1987 Tate undertook not to buy Berisford, an undertaking which is still in force. So the fact that, back in March, Tate mooted a bid for Berisford at all, suggests it expected that now the MMC might, three years later, take a different view.

Then, the MMC pointed out that Tate and British Sugar together had 94 per cent of the UK market for sugar. The cost of transporting sugar to the UK meant that imports were unlikely to flood into the market until the UK price had risen significantly.

Mr David Lang, analyst at Henderson Crosthwaite, the stockbroker, reckons the extra cost of transporting sugar from northern France to, say, a big UK user in the Midlands would be about £18 a tonne. That compares with a sugar price for the biggest bulk buyers of £425 a tonne at the moment, a price expected to rise to about £470 a tonne on July 1. Industrial users find this enough of a deterrent to import little sugar from outside the UK.

The MMC found that this extra transport cost would mean that a merger between Tate and British Sugar could result in a significant price rise to UK consumers before competition from imports became serious, and that that would be against the public interest.

Mr Nicholas Nightingale, company secretary of Tate, said yesterday that the opening of the Channel Tunnel, due in 1993, would significantly reduce these transport costs. And, he said, the new alliances in Europe mean that the UK industry needs to consolidate to stand up to the larger Europeans and prevent them exploiting the UK market in the longer term.

The 1987 MMC report recognised the problem of low profitability for Tate as a cane refiner, putting it at a severe disadvantage to British Sugar. British Sugar had initiated a fierce price war in 1986, apparently aimed at forcing Tate to close one of its two refineries, and Tate was barely making money from UK cane refining.

The MMC recommended that this disadvantage be rectified by other means.

Since then the EC has given some aid to cane refiners, and in its 1989 accounts Tate said that this had enabled its UK business "to compete on more equal terms in the market". There has also been a significant rise in sugar prices, led by British Sugar and helped by the EC support mechanism.

This means that Tate's UK cane refining operations are again profitable. The group does not split out these figures, but the bulk of its £47.6m trading profits from the "cane and beet sugar – Europe and other" division comes from the UK business.

However, Tate argues that the EC adjustments have been too small, and it appears to be this argument, not the European competition one, which has weighed with the authorities in referring the bid rather than dismissing it out of hand by holding Tate to its 1987 undertaking. Berisford's announcement yesterday that it is also talking to other bidders could further complicate the MMC investigation. If others were to bid they too might become embroiled in the referral.

However Associated British Foods – the milling and baking group which bid for Berisford in 1987 but pulled out after the stock market crash – is in an interesting position.

ABF's bid was not referred to the MMC. If it was to try again now – and it has a 23 per cent stake as a starting point – its bid might be sent to the MMC as well, though it would not be automatic.

Berisford shareholders might prefer to hang on for a bid from Tate, though. It looks as if British Sugar is worth more to Tate than anyone else, a view supported by Tate's dogged persistence in pursuing its target.

## UK COMPANY NEWS

# Margins squeeze hits Waddington

By Jane Fuller

JOHN WADDINGTON, the packaging, printing and games company, saw pre-tax profit fall by 13 per cent through a squeeze on margins and doubled interest charges.

While sales rose 15 per cent to £238.19m, taxable profit slid to £17.61m (£20.14m). A property gain of £2.12m (£1.29m) was more than offset by interest costs of £4m (£1.95m).

In packaging, which accounted for nearly 60 per cent of turnover, operating profit deteriorated to £10.3m (£10.9m). Mr Victor Watson, chairman, said that although sales to the food trade had been strong, margins had been squeezed by competitive pressure on prices and by rising raw materials costs.

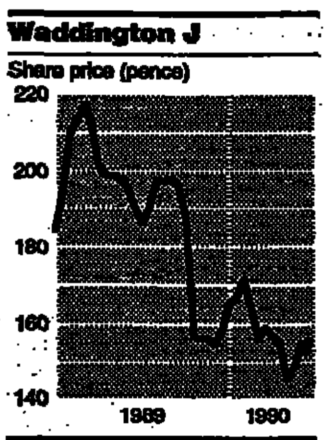
This had been particularly true of paper and board, whereas some problems in plastics had been internal. The loss-making Johnsen & Jorgensen activities had been either sold or amalgamated with Jaycare. Part of the US business was being turned round by fresh management.

Other savings had been made by closing Mono-Web, an adhesive labelling business, where Mr Watson said research costs had got out of hand.

Specialist printing and business forms had also been hit by the rising cost of materials and fierce competition, particularly for computer stationery. This division saw operating profit fall by £1m to £6.24m.

The aim was to make more added-value products, such as "intelligent forms" with bar codes for easy identification.

On the games side, which accounted for 10 per cent of sales, there was a slight improvement in sales while profit rose 11 per cent to £2.98m.




Capital spending of £22m lay behind a rise in gearing to 40 per cent. More would be spent this year, including £15m on a new carton factory near Leeds.

Earnings per share slipped to 18.83p (16.29p). A final dividend of 4.3p makes a total for the year of 7.9p (7.3p).

● COMMENT

Waddington, known for games such as Monopoly or the more modern Dingbats, did not have much of a fun year. Its action to sort out problems had to be taken against the background of difficult markets. Because three quarters of the business is UK dependent, conditions are likely to stay tough, and with a bold capital spending programme the interest bill is set to get worse. Mitigating factors will be £1m-plus from cutting out loss-makers and the fruits of previous investment. A pre-tax profit of £19m gives a prospective p/e, on the 155p close, of nearly 9. This is high enough until evidence of a trading improvement comes through, although it is worth bearing in mind that the sector could be ripe for some bid activity.

# Safeland shows advance of 23% to over £3m

SAFELAND, the property trading, development and investment group, reported a 23 per cent rise, from £2.48m to £3.04m, in pre-tax profits for the year to March 31.

The advance was struck on turnover up 59 per cent to £28.89m (£18.18m). Mr Raymond Lipman, chairman, said that the trading, refurbishment and redevelopment activities made the largest contribution with turnover here rising 61 per cent and taxable profits 26 per cent.

The value of the investment portfolio increased by 46 per cent, with a 43 per cent rise in profitability. Earnings were up at 11.4p (9.8p) per share and the final dividend is a proposed 2.24p (2p) giving a total of 3.84p.

# Chemring hit by defence procurement changes

A MARGINAL drop in interim profits was yesterday reported by Chemring Group, a maker of defence and non-defence products.

Mr Ian Fairfield, chairman, said the operating companies were affected by the changes in defence procurement.

Turnover rose slightly to £13.36m (£13.26m), with home sales increasing 15 per cent.

Pre-tax profit came to £2.2m (£2.29m) and benefited from a lift in investment income from £142,000 to £192,000.

Mr Fairfield expressed confidence that substantial orders would be received during the rest of the year.

Half year earnings per share were 28.83p (29.8p) fully diluted. The interim dividend is stepped up to 9p (8.25p).

# London Scottish gains 20% to £1.81m

By David Barchard

LONDON SCOTTISH Bank, the Manchester-based personal loans and consumer finance group, made taxable profits of £1.81m in the six months to May 1, up 20 per cent on the same period a year earlier.

London Scottish has 106 branches across the UK and relies mainly on medium-term lending to council tenants.

Its largest shareholder is Refuge Assurance with 15 per cent.

Turnover grew by 9 per cent from £12.74m to £13.85m. Interest income increased to £9.48m (£8.14m), and collection commissions rose to £1.8m (£1.66m). Insurance income was £1.61m (£1.34m).

There was a sharp fall in the volume of retail sales, down 38 per cent from £1.42m to £881,000.

Net advances to borrowers rose by 17 per cent, reaching £34.67m (£29.62m).

Mr Martin West, chief executive, said the results reflected efforts last year to reorganise and streamline the company.

"We are well hedged against interest rate movements, either up or down, and we believe that we have got a very solid base for the second half of the year, whatever happens to the national economy." he said.

Earnings per share were 2.5p (2.2p) basic and 2.4p (2.1p) fully diluted. There was a retained profit of £929,000 (£1.33m).

An interim dividend of 0.875p (0.75p) is declared.

## Learmonth falls

Taxable profits at Learmonth & Burchett Management Systems, the USM-quoted computer services group, tumbled by £1m after a rise in development costs in the year to April 30.

The result was £450,000, against £1.45m and the development costs totalled £2.68m (£1.99m). Turnover advanced to £18.47m (£12.77m). After tax of £163,000 (£494,000), earnings fell to 2.3p (7.9p). However, the final dividend is maintained at 1.4p, for an increased total of 2.2p (2p).

# Order books well ahead as Cape rises 31% to £17.8m

By Clare Pearson

CAPE, the building products and industrial contracting company 68 per cent owned by Charter Consolidated, the industrial holding group, lifted pre-tax profits by 31 per cent to £17.8m in the year to end-March, when it continued to tidy up its operations.

Operating profits from building and architectural products, the major part of the business, advanced by 21 per cent to £14.26m on turnover up 6 per cent at £85.61m.

Mr Michael Farebrother, chief executive, said UK demand for Cape's architecturally-specified fire protection and insulation products remained strong throughout the year, while the group also saw growth in exports to Europe and the Far East.

He said customers for whom the industrial services division operated, chiefly the electricity, gas and petrochemical industries, remained largely unaffected by the downturn within the commercial and housing sectors of the building industry.

Industrial services made operating profits of £3.92m (£3.1m) on turnover of £86.54m (£78.88m).

On the current outlook, Mr Farebrother said forward order books were significantly up on last year. Last year's reorganisation of the group into two divisions should assist a further push to build up exports, which accounted for 23 per cent of sales in 1989.

Mr Farebrother said Charter had indicated it intended to maintain its shareholding in Cape at the current level, and was supportive of the company's plans.

Charter had also indicated it would support a rights issue, if Cape wished to make a big acquisition for paper. But there were no thoughts of doing so at the moment.

Cash balances stood at more than £23m at the end of March. Net interest income during the year rose to £2.28m (£1.32m).

Since the year-end, Cape has made one £8.1m cash acquisition when it acquired a ceiling tiles company.

During 1989 Cape ended its manufacturing involvement in asbestos with the closure of a factory in the UK; the High Court also dismissed an asbestos-related claim against it. Its long-running compensation payments for industrial disease were static at £1.25m.

The tax charge increased from 13 to 19 per cent as prior years' tax losses and recoverable advance corporation tax were used up. Earnings per share improved by 21 per cent to 27.7p (22.8p).

A final dividend of 7p (5.5p) makes 9.5p (7.5p) for the year.

# Lookers declines to £2.76m

A SIZEABLE improvement in trade in the first quarter of 1990 enabled Lookers, the Manchester-based motor group, to restrict its first half profit fall to 2 per cent.

Mr Ken Martindale, chairman, said sales of vehicles were down over the six months ended March 31 1990, but profit contribution from service and parts continued to increase.

Turnover rose nearly 26 per cent to £176m (£140m) while operating surplus was up 32 per cent to £6.45m (£4.88m).

However, a 78 per cent increase in finance charges to £3.69m (£2.07m) left pre-tax profits at £2.76m (£2.82m).

Mr Martindale reminded shareholders that trading in the opening quarter was extremely difficult, with reductions in demand for cars and agricultural machinery occurring together.

Reorganisation of the latter was completed and the costs allowed for in the half year. The integration of SMAC was proceeding more slowly than expected but benefits of scale would start to come through during 1990-91.

Earnings fell to 6.3p (10.5p) while the interim dividend is again 2p.

# Microvitec gives warning of losses in first half

MICROVITEC, the USM-quoted electronics and computer peripherals manufacturer, has warned of losses in the first half of the current year, blaming the substantial fall in the level of activity in its markets since it announced its results in March.

Indeed, in spite of the rationalisation programme announced earlier this month, the expected improvement in the second half is not anticipated to offset the first-half losses.

Also the company has entered into a subscription and option agreement with the management, under which the latter will subscribe for 1.03m new ordinary shares at 29p apiece.

And it will have an option to subscribe for 1.52m at the same price.

At the same time it will have further options over an additional 5.11m at a price related to the then market price of the ordinary shares.

## Blockleys reports sharp setback

Blockleys, the brick manufacturer, had seen a significant drop in turnover and profits for the first five months of 1990, Mr Thomas Wright, chairman, told the annual meeting.

The profit approached the £2.34m achieved in the second half of last year, against £3.03m earned in the first half.

The company had maintained full production and stuck to its policy of only selling at full list price.

Mr Wright will leave the board on June 30. Mr Brian Taylor will become chairman in addition to his role as managing director.

## UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times is printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Announcements in today's table include some made on Tuesday and those made yesterday for which space permits inclusion. Any announcements crowded out today will appear tomorrow.

**KEY**
The companies in which the stakes have been disclosed are shown in bold.
For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

**Aaronson Bros**
Barclays Bank 1,517 (4.10%)
Britannic Assurance 1,270 (3.43%)
Sun Alliance Investment Assurance 1,700 (4.60%)

**Abbott Mead Vickers**
Provident Mutual Managers Pension Funds 625 (4.55%)

**Acatos & Hutcheson**
Framlington Investment Trust Services 1,571 (4.58%)

[illegible]

**Epwin Group**
Postal Investment Management 542 (3.44%)

**European Assets Trust**
London & Manchester Group 785 (3.14%)

**European Project Investment Trust**
Equitable Life Assurance 1,250 (4.16%)

**Exored**
Barclays Bank 9,551 (3.89%)

**Exmoor Dual Investment Trust**
Life Association of Scotland 285 (3.80%)

[illegible]

**London and St Lawrence Investment**
Capital Gearing Trust 700 (3.72%)

**Lookers**
Barclays Bank 583 (3.04%)

**Lowland Investment**
Bank of Scotland 357 (3.65%)
Pearl Group 1,038 (4.42%)

**Lowland Investment Company**
Bank of Scotland 909 [illegible]

[illegible]

**Tex Holdings**
St Andrews Trust 200 (3.13%)
TR Special Opportunities Fund 200 (3.13%)

**Thomas Locker (Holdings)**
Mrs IM Simcock 323 (3.20%)

**Thorn EMI**
British Coal Pension Funds 9,021 (3.11%)

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## TECHNOLOGY

Della Bradshaw explains how Marks and Spencer's computer strategy has produced increased profits

# An outfit made of durable fibre

Few UK retail chains are announcing bullish financial results these days. Fewer still cite information technology as a contributing reason for high profits. The exception is Marks and Spencer, the UK clothes, food and household retailers.

A cursory glance at the company's information technology systems suggests that M and S has done little more than many other high street retailers. But just as M and S has built up a consumer fan club by producing high quality – although, some would say, unimaginative – goods, it has won acclaim in the retail sector and in the City for the slow but thorough way it has implemented its shop computers.

"From perhaps lagging behind five years ago, they are now up with the best," reports Rodney Forrest, investment analyst with London stockbrokers Smith New Court.

M and S has won its spurs for its approach to "information" rather than "technology" says, Hilary Monk, analyst at Verdict Research, the retail consultancy. "A lot of retailers invest in technology and then have mountains of data and don't know how to use it," she explains.

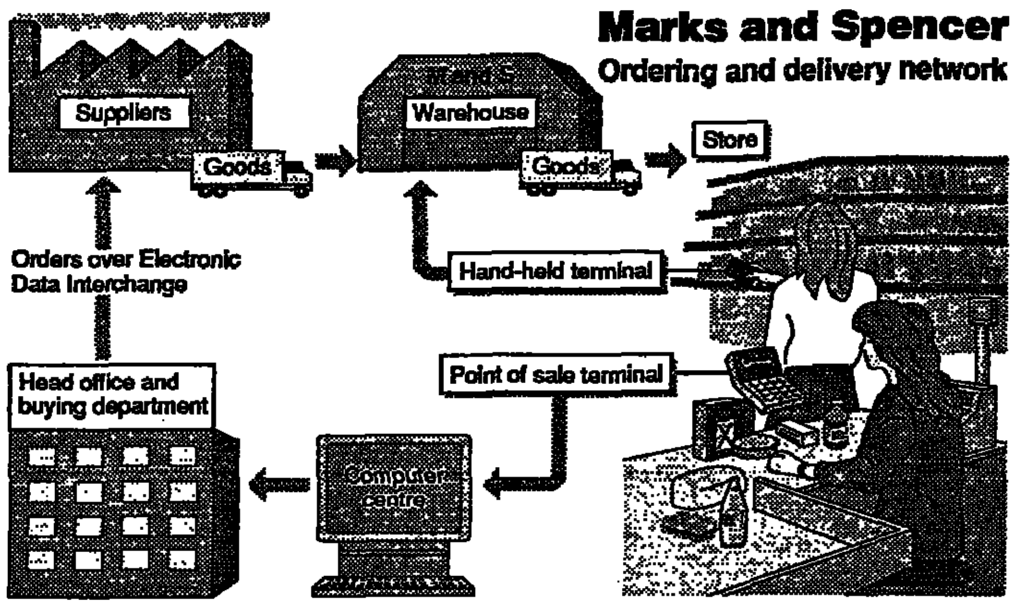
The thrust of M and S's shop computer strategy is that any new system must help to keep the customer happy by putting the right merchandise on the right store shelf at the right time. "Technology for its own sake is not on, and is even dangerous," says Gareth Williams, division director in charge of information technology.

Keeping the customer happy means keeping the shareholders happy too: M and S announced a 14 per cent rise in pre-tax profits to £604m for 1989-90, at a time when most high street retailers are being savaged by high interest rates.

Working on the basis that the merchandise is all important, the M and S buying department is kept informed continually of what is being snapped up on the shop floors, be it an inner London megastore or the smallest provincial outlet.

Information arriving every morning on the purchasing departments' desks helps the buyers make the more immediate purchasing decisions on the basis of sales trends and replenishment needs. Longer term it gives important information about production planning and the need to increase or change suppliers.

"It's not like the grocery business where you always have Daz and Coca-Cola," says Williams. "A very early summer increases the demand for lightweight and short-sleeved merchandise." If a burst of hot weather produces a run on cotton T-shirts, for example, the buying department knows the next day.




M and S's approach to automation has been characterised by the exploitation of its acknowledged commercial strengths rather than attempting to adopt the fashionable procedures lapped up by many high street chains.

When the company decided five years ago to swap paper for electronics, M and S decided to capitalise on the legendary strong relationships it enjoys with suppliers rather than concentrating solely on hardware and software.

As a result it became one of the first retail chains in Europe to introduce electronic ordering and invoicing, with documents sent electronically along a phone line between the M and S and the supplier's computers. The messages use standard electronic data interchange (EDI) formats across International Network Services' Tradanet network.

The introduction of EDI placed the onus on M and S's suppliers to invest in computer systems as well. That, says Williams, enabled M and S to exploit its technology investment as well as resulting in a speedier and more accurate service. The plus side for the suppliers, says Williams, is that the amount of business M and S now does with them has undoubtedly grown.

Today, the backbone of the M and S network is:

- Pos terminals – or electronic tills. Data on what has been sold is fed from the Pos terminals to:
- The back office computer – one is installed in every store. The information is collated and then sent electronically overnight to:
- The main computing centre near London's Heathrow airport – a conglomeration of number crunching systems from IBM, ICL and Amdahl, which receive all the sales information from around the country.
- The head office systems – linked to the main computing centre.
- EDI – orders are sent to suppliers, usually on a weekly basis.

M and S opted to introduce the Pos systems first in its higher priced clothes and homeware sectors because the beginning of the computerisation project coincided with a period when the number of items in these sectors was mushrooming through the introduction of new ranges, such as giftware.

The food departments are still in the throes of modernisation with plans for 180 out of the 280 food departments to be brought into the fold by Christmas this year. The systems will be the same ICL ones used throughout the stores, to ensure that whatever the customer buys – a pair of socks, a lampshade or a loaf of bread – can be paid for at any payment point in the store.

The latest addition to the M and S technology checklist, and a system which Williams believes has proven instrumental in increasing turnover, is a computerised warehousing system linked to the person at the sharp end – the shop assistant.

Once the assistant spots a gap on the shelves he or she programs the item's seven-digit product code – which indicates product type, colour and size – into a hand-held computer. The hand-held unit is slotted into an electronic box in the store, and the data is sent immediately to the warehouse, where it is displayed on an IBM personal computer. At night the reverse process occurs: the terminal is slotted into the box where its memory is updated on the stock held at the warehouse, so the assistant knows what is available.

The company decided to empower the shop assistants to call up stock directly from the warehouse, rather than using the data gathered overnight by the Pos equipment, in order to exploit the individual expertise of the staff in each store, says Williams. "The local sales person is the best judge of which sizes and colours need replenishing."

In the best case, if a shop assistant in one of the larger metropolitan stores notes that a particular size and colour of jumper is running low, he or she can contact the local warehouse and get replacement stock delivered by teatime.

Each warehouse serves between 20 and 40 stores, and about 85 per cent of the warehouses are connected electronically. The rest – which still work on paper ordering – will be updated by the end of 1991.

Forrest estimates that M and S has invested about £200m over the last five years in retail systems. But a truly accurate figure is difficult to obtain because the lion's share of the software has been developed in-house by M and S, with the exception of the occasional standard package which has been bought in and adapted.

M and S has taken the policy decision to develop all its future software in-house, despite the financial burden that will place on the company. The policy was enacted as a way of giving the company the competitive edge it needs in the increasingly cut-throat retail marketplace.

Future plans, says Williams, are to enhance the role of the store staff, and to introduce simpler administration in the shops. In the autumn M and S will follow in the steps of several of the larger supermarket chains and begin to allow customers to pay by using their Switch debit cards.

Williams believes in exporting the best aspects of the technology. The European outlets, such as those in France and Spain, send their orders back to the UK electronically.

# Eradicating hazards from the ground up

Peter Marsh on Denmark's plans for a thermal treatment plant to cleanse contaminated soil

Denmark conjures up for most people images of quiet countryside and an economy dominated by farming. A darker aspect to Denmark concerns the 60m tonnes of contaminated soil which Government planners estimate is scattered throughout the nation.

The soil is mainly on land formerly used for industrial plant in areas such as chemicals, mining, smelting and energy production. Some of the material is also in landfill sites that have been used to store waste products over the past century or so.

The problem for Denmark – and for almost every other country with even a small amount of industrial development – is that soil of this kind contains high levels of chemicals which may be dangerous to health. The chemicals include a variety of organic compounds and heavy metals such as cadmium and mercury.

Many other countries, Britain included, deal with all but their most heavily contaminated soils by burying it in the ground, possibly alongside domestic rubbish.

For Denmark, however, the landfill approach is insufficiently rigorous. The country has some of the toughest environmental laws in the world. It argues that putting such residues in landfill runs the risk of chemicals leaking out into ground water or into agricultural products and hence into the food chain.

As a result Denmark is taking a lead in developing systems to treat contaminated soil. As a first step, the Danish Government and private-sector interests plan to start a thermal treatment plant next year to remove most of the hazardous compounds from the soil.

It will be a long-term project. Government planners think it could take 30 years and DKr7bn (£650m) to process all the contaminated soil in Denmark.

Other nations, including West Germany, Holland and the US, are exploring methods of dealing on a large scale with contaminated soil by similar processes.

Denmark is a long way from being the most heavily industrialised nation. Other countries with a bigger presence in manufacturing are likely to have volumes of this material several tens of times higher than that in Denmark.

Assessing how much of a threat to health soil deposits of this type constitute is difficult because research in the field is still at an early stage. Diseases such as cancer, which scientists think may be triggered by exposure to toxic chemicals in soil, can take years to show up in specific individuals.

The Danish thermal-treatment plant is due to begin operations in Rodby at a treatment station run by KK Miljo Technik, an organisation in which Kommunekemi, a public-sector waste treatment group, holds a 51 per cent stake.

Montberg and Thorsen, a large Danish construction group, has a 25 per cent stake in the venture while other shareholders include Denmark's state-owned railway company. The rail concern will have a big role in treating contaminated soil over the next few decades by transferring the waste from different sites around the country.

Some 40,000 tonnes of this material have already been taken to a special store at Rodby to await treatment. There, scientists have experimented using microbes to break down chemicals in the soil and with a new washing process to separate the most dangerous substances.

Vagn Frederiksen, general manager at KK Miljo Technik, says the organisation he has not yet settled on the technology to be used in the soil-treatment plant. It will probably be based on a high-temperature roasting procedure which converts organic materials to innocuous substances such as carbon dioxide and water. The system would also contain sophisticated scrubbing equipment and after-burners to remove unpleasant or harmful gases including sulphur dioxide and dioxins.

The plant would cost about DKr40m and work 24 hours a day. It should be able to process about 70,000 tonnes of soil a year. Later on, it could be upgraded to a plant dealing with five times this amount of material, according to Frederiksen. KK Miljo Technik is talking to a number of companies about providing parts for the system.

No matter how good the technology chosen for the soil-treatment system, there will be some residues which are almost impossible to dispose of by chemical or physical methods. These include materials with large amounts of contamination by heavy metals. These residues would have to stored in secure dumps. KK Miljo Technik is exploring the idea of using underground salt domes – large natural cavities – in certain parts of Denmark for this purpose.

KK Miljo Technik has been formed as a "daughter" company of Kommunekemi, an organisation owned by Denmark's 277 municipal authorities. It has the job of disposing by incineration many types of domestic and industrial waste that contain oil, chemicals and other potentially hazardous substances.

Kommunekemi, which started up in in 1971, runs a large complex in Nyborg which contains three rotary-kiln incinerators. They burn roughly 110,000 tonnes a year of this waste, which Danish companies and Government authorities are mandated by law to send to the complex on special rail wagons.

The Nyborg complex costs DKr180m a year to run. Costs are paid for either by charges on the 80,000 industrial groups which use its services or by subscriptions from the municipal authorities. The industrial groups which send waste to Nyborg include not just chemicals and other manufacturing groups but farmers, building companies and garages which have waste chemical-containing residues.



## LEGAL NOTICES

RETAIL INNS & VENTURES LIMITED

Registered number: 2314958
Trading name(s):- Great Western Junction Hotel
Nature of business: Hotel and Restaurant
Trade classification: 47
Date of appointment of joint administrative receivers: 30 May 1990
Name of person appointing the joint administrative receivers: Lloyds Bank Plc
DAVID JOHN CORNEY and JOHN FREDERICK POWELL
Joint Administrative Receivers
(Office holder nos 60 and 249) of Cork Gully
43 Temple Row
Birmingham B2 5JT

POLYSOURCE INDUSTRIES (UK) LIMITED

Registered number: 2204184
Nature of business: Injection moulders
Trade classification: Injection moulders
Date of appointment of joint administrative receivers: 4 June 1990
Name of person appointing the joing administrative receivers: Midland Bank plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 228) of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

## COMPANY NOTICES

**AIP FINANCE N.V.**
US $20,000,000 GUARANTEED FLOATING RATE NOTES 1995
The interest rate applicable to the Notes in respect of the period commencing 14th June 1990 will be 9⅛% per annum. The interest amounting to US $233.52 per US $5,000 principal amount of the Notes and to US $467.03 per US $10,000 principal amount of the Notes will be paid on 14th December 1990 against presentation of Coupon No. 5.
BANK LEUMI (UK) PLC
Principal Paying Agent.
bank leumi בנק לאומי

## THE COMPUTER MARKETPLACE



## ART GALLERIES

CRANE KALMAN GALLERY 178 Brompton Rd, London SW3. Tel: 071-584 7566/581 1529. Fax: 071-584 3843. SIR MATTHEW SMITH (1879-1959). A selection of Thirty Paintings. 10 May - 21 July. Mon-Fri 10-6, Sats 10-4.

BUSINESS LAW

# SEC bids for index futures

**By Leo Herzel and Richard Shepro**

ON JUNE 6, the Bush Administration moved to resolve a long-standing regulatory dispute between the US Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC). The CFTC has regulated stock index futures since they first appeared. The Administration's proposed Bill would shift regulatory jurisdiction over stock index futures to the SEC.

The securities industry in New York favours SEC regulation, while the CFTC and the commodity exchanges in Chicago favour a continuation of CFTC regulation. One of the exchanges, the Chicago Board of Trade, has called the proposal "creeping regulatory imperialism".

In Congress, the banking committees responsible for securities industry legislation appear likely to support the Administration's proposal. The agriculture committees look set to oppose it.

The Administration's proposal also would allow stock index futures to be traded on securities exchanges as well as on commodity exchanges. This had been a highly controversial subject. The wording of the laws that define SEC and CFTC jurisdiction do not cover hybrid products, such as index futures, in a clear cut fashion.

Plans by the Philadelphia and American stock exchanges to sell investment contracts tied to the performance of stock market indexes were quickly derailed last year by the Federal Court of Appeals in Chicago.

The court decided that these contracts had futures characteristics which made them subject to the exclusive jurisdiction of the CFTC and could only be traded on commodities exchanges.

The court reasoned that owning these index investment contracts did not make an investor an owner of any of the underlying stock. Thus the contracts were not stock, although investors would accomplish the same investment results as by owning stock.* The Administration's bill would overrule this case.

There are two highly important background factors in this controversy. The first is the rapid growth of financial futures markets around the world under Chicago's leadership. New York has been consistently eclipsed by Chicago in this development.

The second is the shock of the stock market crash in October 1987. The reaction in the US was: "How could it have happened to us?", followed by finger pointing to find fault.

Soon after the 1987 crash, reports on what really happened and the causes appeared in droves from governmental agencies and securities and commodities exchanges. President Ronald Reagan's task force issued a report. The task force was led by Mr Nicholas Brady, now Secretary of the Treasury and spokesman for the Administration's proposal.

That report and the New York Stock Exchange's report blamed the crash on too much liquidity in the Chicago markets. They proposed significant changes in the regulatory system that would add price limits ("circuit breakers"), increase the powers of the SEC and the stock exchanges, and raise margin requirements on index futures.

In marked contrast, the report of the Chicago Mercantile Exchange, written by several famous free market economists, took a much cooler, free market approach to the subject.

That report concluded that much of the blame lay with flaws in the use of portfolio insurance by institutional investors: "Users of portfolio insurance learned that continuous and smooth exit prices are not obtainable when a collective mass move to an exit occurs."

In efficient market theory style the report concluded that no solution was necessary since there was no problem. "Now that this flaw has been widely exposed, we expect that excessive use of this strategy will no longer be a problem."

But unfortunately the market was not so smart. The panic was repeated, albeit on a reduced scale, in the smaller market breaks on October 13 and 16, 1989.

In May 1990 the SEC issued another report. The Chicago markets were again the focus for blame, particularly floor traders at the Chicago Mercantile Exchange.

Reinforcing the finger pointing exercise are the numerous scandals that suggest fault in every place anyone cares to look. On the New York/SEC side were the insider trading, Drexel Burnham Lambert and Michael Milken scandals. On the Chicago/CFTC side there were FBI undercover investigations that revealed widespread cheating of customers by futures traders.

There is some overlap in interest between the New York and Chicago financial markets, but there is also a large divergence. The Chicago market does not want to be submerged in the much larger New York securities market. New York, on the other hand, would dearly love to dominate stock index futures in which Chicago has been so successful.

Both the SEC and the CFTC each have an obvious self-interest in protecting and expanding their own power. It is also no surprise, considering the general history of bonding between regulator and regulated, that each industry has a very strong preference for its own regulatory agency.

Although both the securities and commodities industries are important enough to have limited, national political clout, it is not clear why politicians should pay very much attention to the SEC or the CFTC; they control few votes and contribute no money to political campaigns.

Thus, it is unlikely that this controversy would have attained national prominence if it were only a struggle for dominance between two industries and two regulatory agencies.

Aside from politicians with special ties to the Chicago and New York industries, not many national politicians care much about supporting New York over Chicago, the SEC over the CFTC, or vice versa.

There are some possibilities for log rolling among politicians to broaden support, but unless an issue has broad appeal there is a limit to how effective such attempts to gather political momentum can be.

However, there are real problems that appear to justify national attention, such as the risk of sudden stock market crashes from high liquidity in financial markets and the scandals in the securities and commodities markets.

Financial futures markets have caused a tremendous increase in liquidity. When markets are functioning smoothly, high liquidity increases short-run market efficiency. (The long-run effects of liquidity are debatable and difficult to assess.) But liquidity works in either direction. When there is panic, it increases the wreckage.

The past three years have demonstrated that in a panic, everyone runs for the door. If there is a big increase in liquidity, investors can run much faster.

Moreover, in spite of the cool optimism in the 1987 Chicago Mercantile report, in a financial panic investors do not seem able to remember what they were supposed to have learned from the last panic.

Financial scandals provide a convenient excuse for avoiding the real problem of liquidity. If eliminating bad guys would solve the problem, that would suit everyone best. The Administration's plan appears to be playing to these illusions. The portentous title of the proposed bill illustrates this point: the *Capital Markets Competition, Stability and Fairness Act of 1990*.

In recent years particularly, the SEC has been striving for the reputation of a tough, highly sophisticated law enforcer against the bad guys. But stricter regulation will not make the liquidity problem go away. If regulation does succeed in reducing liquidity in US securities markets, investors will move to foreign markets. Good and bad, high liquidity is here to stay.

** Chicago Mercantile Exchange v SEC, 883 F 2d 537 (7th Cir 1989).*

*The authors are partners in the Chicago office of the US law firm, Mayer, Brown & Platt. Their book Bidders and Targets, will be published by Basil Blackwell in September.*

COMMODITIES AND AGRICULTURE

# Aluminium output near to capacity level in Europe

By David Blackwell in Brussels

EUROPE's primary aluminium smelters are likely to continue operating flat out for the rest of the year as demand continues to outstrip supply, the European Aluminium Association was told yesterday.

Production this year, at between 99.5 per cent and 100 per cent of capacity, will remain much the same as last year's 3.6m tonnes. Consumption is expected to grow this year by 1 per cent, after a 4 per cent rise in 1989 to 4.5m tonnes, according to Mr Hansgeorg Seebauer, secretary general of the association.

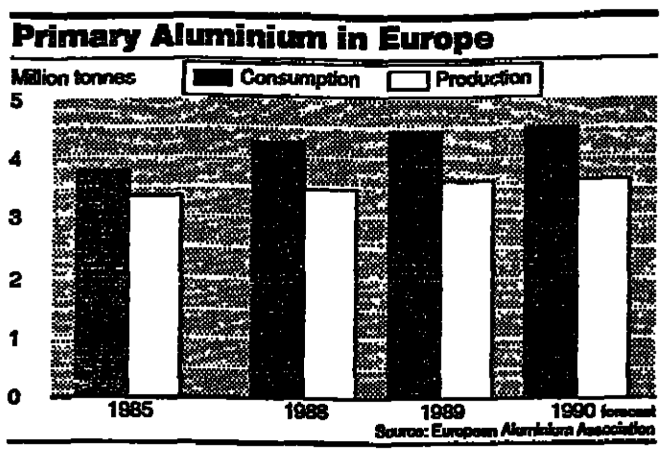
Western Europe, which last year for the first time consumed more aluminium than the US, will therefore again need to import about 900,000 tonnes of the metal this year.

The association puts world primary production for 1989 at 14.5m tonnes, on a par with consumption. Stocks are expected to remain low, according to Mr Seebauer. In March, stocks were just above 1.5m tonnes, slightly ahead of March last year.

The recycling industry increased secondary production by 10 per cent to 1.715m tonnes last year, and was likely to continue growing in importance, Mr Seebauer said.

Mr Jochen Schirner, chairman of the association, said that given current prices and stable energy supplies there was absolutely no reason to think about closing any smelters in Europe. Prices of around $1,800 to $1,900 a tonne would encourage investment in further capacity, "and continuing economic growth will lead prices in that direction, I believe," he said.

**Primary Aluminium in Europe**




Source: European Aluminium Association

The industry could expect good profits this year, although it would not be able to repeat "its extremely good performance of 1989."

In recent years, European primary producers had reinforced their drive to reduce their dependence on metal markets by becoming integrated with the manufacture of both rolled and extruded products. This had led to some primary producers actually becoming net buyers of metal, while others had considerably reduced their sales to third party customers.

Nevertheless, the smelters had been unable to avoid the effects of declining aluminium prices on the world market. Investment plans at both primary and manufactured products levels "could take on a totally new dimension in the near future, when the opening up of the East European bloc will change the whole picture of the market and competition in Europe."

Western Europe was likely to be the preferred supplier to the eastern countries, where both per capita income and aluminium consumption were on average 50 per cent lower. Meanwhile, demand in western Europe would continue to rise as the economy grew, particularly following the advent of the single European market.

Opportunities for growth existed in the motor industry, the construction sector and the packaging industry, he said. The average passenger car already contained 50 kg of aluminium: industry experts expected this to rise to 80 kg by the mid-1990s.

Mr Seebauer pointed out that per capita consumption in western European countries ranged from 27 kg in West Germany to 7 kg in Greece. "A big country like France, for example, with a per capita consumption of only 15 kg, should certainly further increase its aluminium consumption in the coming years, adjusting to a much higher total European level," he said.

# Coffee reforms leave bitter taste in Brazil

**John Barham** says removal of subsidies by the largest producer has created hardship

BRAZIL'S COFFEE trade is undergoing fundamental and traumatic change. Coffee has lost the privileged government treatment it once enjoyed, but has yet to learn how to fend for itself in an unfettered, hostile market.

Traders and farmers, usually divided by sharply opposing interests, agree on one point: the Government of Brazil has wilfully added to their difficulties with poorly co-ordinated reforms that have created confusion such that it has become extremely difficult to trade at all.

Mr Bruno Angst, a coffee trader, commented: "Everyone has been asking the Government to leave the market, but now everyone is confused; Brazil has lost markets heavily with all the uncertainties. Nobody is taking the risk of selling."

Support prices, buffer stocks, government finance, regulated foreign exchange rates and a panoply of Brazilian government services were suddenly withdrawn last March.

The coffee trade's troubles began last July with the collapse of the International Coffee Agreement, the producer/consumer pact which set prices and regulated access to consuming countries' markets. In March Brazil's new Government abolished the Brazilian Coffee Institute (IBC), which supervised the production and export of coffee. Brasilia ruled that coffee would henceforth be treated like any other commodity.

Meanwhile, Brazilian farmers fear this year's harvest, which has just begun, will yield only 20m-24m bags (60 kg each), the third disappointing harvest in as many years. Furthermore, next year's output is unlikely to be significantly higher. In a good year, production should exceed 30m bags.

Falling prices have forced farmers to spend less on their bushes

Farmers complain that prices are still far too low, despite the low production. Quality coffees sell on the domestic market for $93 a bag, but farmers claim that they need $120 a bag to break even. However, world prices for exports are hovering at around $86-$94 a bag. As a result, Brazil's coffee exports have ground to a halt.

Domestic prices are higher than world prices for a number of reasons. Stocks are low, so farmers expect prices to react positively to the small harvest. Furthermore, uncertainty over economic stability is discouraging sales. Many farmers fear that inflation will flare up, leading to more emergency policies to control Brazil's economy. Finally, there is much confusion over price levels.

Mr Jose Edgar Paiva, president of Cocamig, a co-operative in Minas Gerais region, said: "Something is wrong, something is going to have to give: either internal prices will have to come down, or world prices go up, or the exchange rate will have to adjusted."

The Brazilian cruzeiro has been devalued by almost a quarter in the last three months, but exporters complain that it is still overvalued, making foreign sales unprofitable in local currency terms.

Coffee farms are now locked into a vicious circle of falling incomes and falling output. Farmers must weed their properties regularly and lavish fertilisers and pesticides on coffee bushes to maintain production and quality. Falling prices have forced them to spend less and less on their bushes, condemning them to declining output of coffee with quality also increasingly on the decline.

Mr Henrique Jose Reis Pinto, a third generation farmer, said: "The farm makes just enough money to cover current spending, but it does not make enough to invest or expand output." Mr Pinto, who owns a large farm, says he is cutting back on fertiliser and pesticides, with a predictably negative effect on output.

Most other farmers in Minas Gerais, Brazil's leading coffee producing region, are in a less fortunate position than even Mr Pinto. Many have ceased investing in their farms.

Mr Angst said: "I personally am very pessimistic; I don't think we'll ever see a big Brazilian harvest, not unless prices explode; 30 per cent of Brazilian coffee bushes are not being tended properly." He added that most of the remaining bushes received at best barely adequate treatment.

Farmers realise that they can no longer justify government protection and support. The days are long gone when coffee represented Brazil's principal source of hard currency. Last year's $1.8bn in coffee exports accounted for little more than 5 per cent of the value of all exports.

While many regions that once used to depend heavily on coffee have successfully diversified to other commodities, Minas Gerais remains heavily dependent on coffee because in that region few other crops are suitable. Farmers fear that a gradual, but inexorable decline will also create social friction.

The Brazilian Government's reaction has been unsympathetic. It has abolished most of coffee's defences without replacing the old mechanism by something new. The Ministry of Agriculture has yet to announce minimum coffee prices, that would trigger government purchases. The Economics Ministry has yet to decide who will manage the IBC's regulatory stocks and who is entitled to control its assets. By law, the IBC's considerable wealth — which includes coffee stocks of 17m bags and some $500m in unspent tax revenues — belongs to farmers' bodies.

Farmers complain that the absence of any discernible government policy is especially damaging now the harvest has begun. Yet, farmers and traders alike have found that it is impossible to establish any meaningful communication with Brasilia.

The Ministry of Agriculture has little clout, while the powerful Economics Ministry is not interested in what it sees as the coffee trade's parochial interests.

However, exporters are confident that the bureaucratic snarl-ups that paralysed exports after the IBC's closure last March have now been dealt with and that exports should flow smoothly once the harvest is gathered.

Farmers want the Brazilian Government to resume some of its interventionist policies. They say coffee simply cannot be treated like any other commodity, and insist that buffer stockpiles must be reintroduced to stabilise prices and output. Some even want exports controlled.

None the less, the outlook is not without hope. Large coffee export houses have begun financing farmers by pre-payment for deliveries. Farmers expect prices to recover as coffee supplies grow tighter this year and in 1991. Few fear that the IBC stockpile will depress prices either, because most of it coffee is unfit for export.

Furthermore, a surprising number of farmers are determined to protect their coffee bushes. Mr Jair Reguin, who owns a small farm in Minas Gerais, said: "This farm is all I have, so I must care for my coffee bushes; they are good, young, healthy bushes. I must take care of what I have because there is nothing else."

# Mines are under-performing

By Kenneth Gooding, Mining Correspondent

SELDOM IN the post-war history of base metal industries have so many mining operations under-performed simultaneously.

If output had been at more normal levels over the past three years, an extra 365,000 tonnes of zinc in concentrates and 230,000 tonnes of lead in concentrates would have been produced.

Making these points in its latest review, the Metals & Minerals Research Services consultancy group points out that between 1987 and 1990 copper production capacity in the western world rose by 12.1 per cent to 8.25m tonnes a year. However, capacity utilisation rates, which were 88 per cent in 1987, fell to 85 to 86 per cent thereafter.

Zinc mine production annual capacity grew by 4.1 per cent over the same years while capacity utilisation — which was regularly in the 89-90 per cent range — dropped to 86 per cent in 1988 and has improved only gradually since then.

Lead capacity also rose by 4.1 per cent over the three years, although capacity utilisation fell continuously to hit a low of 78.2 per cent last year, MMRS says in its base metal concentrates newsletter.

Some of the causes of this under-performance are a legacy of the metal market recession in 1981-87: equipment and mine failures, the effects of previous "high grading" (concentration on the richest and most easily obtainable ores) and the lack of mine development and maintenance have all made themselves felt since 1987.

Cuts in personnel and investment have sometimes lead to poor planning and inadequate mine performance, "while sheer bad luck (in the form of rock bursts for example)" had played its part too.

The industry has also been bedevilled by labour problems — "in many cases they have a common root in that the unions want to participate more fully in the booming metal prices and company profitability seen since 1987."

MMRS suggests, too, that, while there have been some notable successes in new mine developments (Somincor's Neves-Corvo copper mine in Portugal was one, it says, and another will be the Escondida copper venture in Chile) "many properties have been rushed into operation at breakneck speed recently. There has often been a dear price to pay for this."

*Base Metal Concentrates. Bi-monthly from Metals & Minerals Research Services, 222 Strand, London WC2R 1BA.*

# FAO tropical forestry plan under attack

By Richard Mooney

FRIENDS OF the Earth, the environmentalist group, has repeated its call for a moratorium on funding for the UN Food and Agriculture Organisation's controversial Tropical Forestry Action Plan, citing criticisms made in a report commissioned by the FAO that was presented at its Rome headquarters yesterday.

The report, drawn up by an international panel of forestry experts, said that shortcomings in implementation of the plan had led to "abuse of its principles in a number of countries where increased exploitation for timber has been allowed without safeguards to ensure that the forests would be managed sustainably."

It also accused the FAO of failing to ensure "quality control" in many of TFAP exercises and said its performance had "fallen far short of reasonable expectations." There had been "inadequate consultation with those interested in and affected by forestry policy" and too narrow an approach had been adopted, "especially with regard to ecological and environmental issues."

The report recommended, however, that the plan should be "transformed" rather than abandoned. It said a fund should be set up to assist tropical countries participating in the plan and that action should be initiated immediately "to prepare for an international forest convention, the scope of which should cover all forests, both temperate and tropical."

"The activities of the Tropical Forestry Action Plan would contribute to the implementation of the convention, which would also add weight and authority to the TFAP," the report said.

Mr Simon Counsell, FoE's rainforest campaigner, said the report's finding vindicated concerns expressed as long ago as 1987. "The UK Government must now accept that they have backed an ill-conceived, badly managed and poorly implemented scheme," he declared.

He called on Mrs Lynda Chalker, the UK Minister for Overseas Development, to press for "an immediate moratorium" on funding for TFAP. "Specifically," he said, "she should seek to reverse the recent decision by the European Community to continue support for the plan."

In a statement Mrs Chalker welcomed the report, which she said "makes a number of important conclusions and recommendations."

"The TFAP has been heavily criticised, often with good reason," she said. "Indeed, I pressed strongly for its reform last November at the Food and Agriculture Organisation conference."

"We fully support the conclusion that the TFAP should not support the extension of logging without rigorous environmental safeguards," the Minister said.

"The review provides an excellent basis for achieving a successful reform of the TFAP. We look forward to a detailed discussion on how to take forward the recommendations at the FAO committee on forestry in September."

# Chicago grain futures steady

By Barbara Durr in Chicago

FOLLOWING the US Department of Agriculture crop estimates on Tuesday indicating strong demand and low stockpiles, maize futures had barely moved by mid-morning yesterday on the Chicago Board of Trade. July futures, the current contract, were up just half a cent at $2.92¾ a bushel.

Estimates of the US winter wheat harvest at 2,089m bushels were slightly above analysts' earlier estimates of 2,047m bushels. Yet by mid-morning trading, wheat futures had risen by only about ¾ of a cent. Grain analysts said that the USDA report was "a non-event" since most of the figures were about what had been anticipated.

## WORLD COMMODITIES PRICES

## MARKET REPORT

THE GOLD price fell back to last week's four-year low yesterday as sentiment turned bearish again following Wednesday'a failed rally. The London bullion market price closed $5 down at $351 a troy announce. "If we breach $350 then gold would drop at least another $4," forecast one dealer. At the London Metal Exchange all base metals prices finished lower on the day. Copper's slide continued with the cash price finishing at £1,495.50 a tonne, down £14.50 on the day and £56.50 on the week so far. Weakness on the New York market prompted general liquidation and aggressive speculative selling in the absence of fresh supporting factors, dealers explained. Zinc was hit by West German merchant selling and the cash price closed at $1,672.50 a tonne, down $25, while the cash premium over three months metal narrowed from $54 to $43 a tonne. Cocoa prices finished a little higher at the London Futures and Options Exchange, but dealers said that was mainly due to lack of selling interest and profit-taking on short positions. Sugar futures dipped to 6-month lows before rallying near the close. But dealers said the market, earlier described as "demoralised," remained subdued.

**Compiled from Reuters**

## London Markets

| SPOT MARKETS | | |
|---|---|---|
| **Crude oil (per barrel FOB)** | | + or - |
| Dubai | $13.90-4.00w | +.175 |
| Brent Blend | $16.40-6.50w | +.135 |
| W.T.I. (1 pm est) | $18.02-8.04w | +.300 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $216-218 | |
| Gas Oil | $142-143 | |
| Heavy Fuel Oil | $52-55 | |
| Naphtha | $143-145 | -2 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $351 | -5 |
| Silver (per troy oz)♣ | 496c | -9 |
| Platinum (per troy oz) | $481.25 | -5.40 |
| Palladium (per troy oz) | $116.30 | -1.10 |
| Aluminium (free market) | $1585 | +10 |
| Copper (US Producer) | 116¼c | |
| Lead (US Producer) | 46c | |
| Nickel (free market) | 385c | |
| Tin (Kuala Lumpur market) | 16.50r | -0.04 |
| Tin (New York) | 289c | -1 |
| Zinc (US Prime Western) | 87½c | |
| Cattle (live weight)† | 107.31p | |
| Sheep (dead weight)† | 166.35p | |
| Pigs (live weight)† | 104.26p | |
| London daily sugar (raw) | $316.0v | -17.0 |
| London daily sugar (white) | $411.0v | -12.0 |
| Tate and Lyle export price | £298.0 | -11.5 |
| Barley (English feed) | £114.5y | |
| Maize (US No. 3 yellow) | £144.5 | |
| Wheat (US Dark Northern) | £124.5 | |
| Rubber (Jul)♥ | 54.75p | |
| Rubber (Aug)♥ | 55.25p | |
| Rubber (KL RSS No 1 Jun) | 230.0m | +1.0 |
| Coconut oil (Philippines)§ | $325z | |
| Palm Oil (Malaysian)§ | $270q | |
| Copra (Philippines)§ | $210 | |
| Soyabeans (US) | £161 | |
| Cotton "A" index | 89.75c | +0.35 |
| Wooltops (64s Super) | 495p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec v-Jun/Jul. w-Aug z-Jul/Aug y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR — London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Aug | 288.40 | 291.00 | 294.40 | 286.20 |
| Oct | 285.80 | 286.20 | 291.00 | 283.00 |
| Dec | 284.00 | 291.00 | 290.00 | 284.00 |
| Mar | 270.00 | 273.00 | 275.40 | 269.80 |
| May | 269.80 | 272.80 | 272.40 | 269.80 |
| Aug | 269.80 | 272.00 | 271.00 | 269.80 |
| Oct | 269.00 | 272.00 | 269.00 | 269.00 |
| White | Close | Previous | High/Low | |
| Aug | 399.0 | 405.0 | 405.0 | 398.0 |
| Oct | 365.5 | 369.0 | 370.0 | 364.0 |
| Dec | 358.5 | 359.0 | 360.0 | 356.0 |
| Mar | 351.0 | 355.0 | 355.7 | 350.0 |
| May | 350.5 | 354.0 | 350.5 | 350.0 |
| Aug | 348.0 | 352.0 | 348.0 | 348.0 |

Turnover: Raw6966 (4544)lots of 50 tonnes. White 2003 (2695)
Paris- White (FFr per tonne): Aug 2285, Oct 2097, Dec 2055, Mar 2040, May 2035

| CRUDE OIL — IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 15.90 | 15.98 | 15.90 | 15.70 |
| Aug | 16.52 | 16.50 | 16.52 | 16.27 |
| Sep | 16.80 | 16.90 | 16.80 | 16.70 |
| Oct | 17.08 | 17.10 | 17.10 | 17.05 |
| Nov | 17.20 | 17.18 | 17.20 | 17.18 |
| Dec | 17.32 | 17.30 | 17.40 | 17.32 |
| IPE Index | 15.81 | 15.57 | 15.81 | |

Turnover: 10199 (12957)

| GAS OIL — IPE | | | $/tonne | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 145.00 | 143.50 | 145.50 | 142.00 |
| Aug | 146.00 | 144.50 | 146.50 | 143.00 |
| Sep | 147.00 | 147.00 | 147.00 | 146.00 |
| Oct | 149.50 | 150.00 | 150.00 | 149.00 |
| Nov | 153.50 | 153.50 | 153.50 | 151.25 |
| Dec | 155.75 | 155.00 | 155.75 | 153.75 |
| Jan | 155.50 | 154.25 | 155.50 | 153.25 |

Turnover 5281 (4867)lots of 100 tonnes

**WOOL**
Although the Wool Corporation bought slightly less this week at sales held so far in Australia, the proportion remains high at around 45%. Prices appear to be hovering a little above the floor itself, but only by an average 5%, which means that for some types floor prices do effectivly apply. Prices are about 495p a kg. for 64s super tops, 317p for 58s average, 275p for 50s carded and 232p for 56s English tops. There is general disappointment at the limited buying response from the wool using industry since floor price uncertainties were cleared away.

| COCOA — London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 800 | 786 | 805 | 790 |
| Sep | 821 | 806 | 829 | 813 |
| Dec | 842 | 830 | 849 | 837 |
| Mar | 854 | 848 | 868 | 853 |
| May | 875 | 868 | 885 | 875 |
| Jul | 895 | 886 | 904 | 894 |
| Sep | 912 | 905 | 920 | 912 |

Turnover: 6116 (9558) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 12 984.27 (961.14) 10 day average for Jun 13 1051.21 (1067.09)

| COFFEE — London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 601 | 599 | 605 | 596 |
| Sep | 617 | 614 | 623 | 612 |
| Nov | 633 | 631 | 641 | 633 |
| Jan | 650 | 644 | 656 | 650 |
| Mar | 666 | 657 | 671 | 666 |
| May | 682 | 680 | 682 | 682 |

turnover: 4066 (6926) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 12: Comp. daily 71.10 (71.60). 15 day average 73.21 (73.46)

| POTATOES — BFE | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Nov | 105.0 | 106.5 | 105.0 | |
| Apr | 150.5 | 150.0 | 151.5 | 146.5 |
| May | 163.0 | 169.5 | 163.0 | |

Turnover 172 (360) lots of 40 tonnes.

| SOYABEAN MEAL — BFE | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 119.00 | 116.25 | 119.00 | |
| Aug | 115.00 | 115.80 | | |
| Oct | 118.00 | 118.00 | 118.50 | 118.00 |

Turnover 191 (30) lots of 20 tonnes.

| FREIGHT FUTURES — BFE | | | $10/index point | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 1161 | 1183 | 1175 | 1161 |
| Jul | 1042 | 1072 | 1064 | 1045 |
| Oct | 1143 | 1164 | 1150 | 1140 |
| Jan | 1155 | 1175 | 1170 | 1145 |
| BFI | 1243 | 1254 | 1243 | |

Turnover 206 (114)

| GRAINS — BFE | | | £/tonne | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| Jun | 119.85 | 119.00 | 120.00 | 119.85 |
| Sep | 113.40 | 113.40 | | |
| Nov | 117.55 | 117.55 | 117.65 | 117.55 |
| Barley | Close | Previous | High/Low | |
| Sep | 112.00 | 111.85 | 112.00 | 111.95 |
| Nov | 116.30 | 116.50 | 116.50 | 116.25 |
| Jan | 119.70 | 119.70 | 119.70 | 119.70 |
| Mar | 122.70 | 123.70 | 122.70 | 122.70 |
| May | 123.90 | 123.70 | 123.90 | 123.90 |

Turnover: Wheat 57 (167), Barley 208 (18).
Turnover lots of 100 tonnes.

| PIGS — BFE | | | (Cash Settlement) p/kg | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 138.5 | 137.0 | 138.5 | 137.0 |
| Aug | 121.3 | 119.5 | 119.5 | 119.5 |
| Nov | 120.3 | 120.3 | 120.0 | 120.0 |

Turnover 32 (20) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 15,007 lots |
| Cash | 1569-72 | 1572-4 | | 1571-2 | | |
| 3 months | 1586-7 | 1588-9 | 1596/1584 | 1587-8 | 1585-7 | 46,313 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 14,261 lots |
| Cash | 1494-5 | 1508-10 | 1497/1497 | 1496-7 | | |
| 3 months | 1449-50 | 1465-6 | 1465/1448 | 1455-6 | 1449-50 | 81,172 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 2,086 lots |
| Cash | 481-3 | 484-6 | 482.6/482 | 482-2.5 | | |
| 3 months | 488-8 | 489-90 | 490/488 | 488-8.5 | 488-9 | 10,249 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 1,772 lots |
| Cash | 8350-400 | 8400-50 | | 8340-50 | | |
| 3 months | 8325-50 | 8350-75 | 8375/8300 | 8310-25 | 8300-50 | 8,699 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,711 lots |
| Cash | 6170-80 | 6190-5 | 6170/6170 | 6170-5 | | |
| 3 months | 6295-300 | 6315-20 | 6310/6295 | 6295-300 | 6295-300 | 6,236 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 4,213 lots |
| Cash | 1670-5 | 1695-700 | 1677/1675 | 1677-8 | | |
| 3 months | 1629-30 | 1642-5 | 1643/1620 | 1627-8 | 1628-9 | 19,224 lots |

LME Closing £/$ rate: SPOT: 1.7070 3 months: 1.6798 6 months: 1.6542 9 months: 1.6336

LONDON BULLION MARKET

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 350¾-351¼ | 205-205½ |
| Opening | 352¾-353¼ | 206½-207 |
| Morning fix | 353.00 | 207.036 |
| Afternoon fix | 350.50 | 204.947 |
| Day's high | 353¼-353¾ | |
| Day's low | 350-350½ | |
| **Coins** | **$ price** | **£ equivalent** |
| Mapleleaf | 361-366 | 211-214 |
| Britannia | 361-366 | 211-214 |
| US Eagle | 361-366 | 211-214 |
| Angel | 362-367 | 211¾-214¾ |
| Krugerrand | 350-353 | 204¾-206¾ |
| New Sov. | 84-86 | 49-50½ |
| Old Sov. | 84-86 | 49-50½ |
| Noble Plat | 487.00-494.75 | 284.65-289.15 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 292.45 | 499.00 |
| 3 months | 303.45 | 509.60 |
| 6 months | 314.10 | 519.90 |
| 12 months | 335.00 | 541.75 |

TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | July | Sep | July | Sep |
| 1500 | 82 | 103 | 3 | 18 |
| 1500 | 20 | 45 | 34 | 57 |
| 1600 | 1 | 15 | 115 | 124 |
| **Copper (Grade A)** | Calls | | Puts | |
| 2350 | 188 | 136 | 3 | 55 |
| 2450 | 85 | 83 | 19 | 100 |
| 2550 | 31 | 47 | 64 | 161 |
| **Coffee** | Jul | Sep | Jul | Sep |
| 550 | 51 | 78 | | 11 |
| 600 | 13 | 45 | 12 | 28 |
| 650 | 1 | 26 | 50 | 57 |
| **Cocoa** | Jul | Sep | Jul | Sep |
| 750 | 51 | 88 | 1 | 17 |
| 800 | 13 | 56 | 13 | 35 |
| 850 | 1 | 35 | 51 | 64 |
| **Brent Crude** | Aug | Sep | Aug | Sep |
| 1600 | 65 | 82 | 34 | 31 |
| 1650 | 37 | | 58 | 62 |
| 1700 | | | | |

## New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 352.0 | 355.7 | 358.5 | 350.5 |
| Jul | 353.0 | 356.9 | 0 | 0 |
| Aug | 355.1 | 359.1 | 357.1 | 358.9 |
| Oct | 359.6 | 363.7 | 362.0 | 358.5 |
| Dec | 364.3 | 368.4 | 366.0 | 363.0 |
| Feb | 368.9 | 373.1 | 370.1 | 368.0 |
| Apr | 373.3 | 377.6 | 374.5 | 372.2 |
| Jun | 377.9 | 382.3 | 0 | 0 |
| Aug | 382.4 | 386.9 | 382.5 | 382.5 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 481.2 | 489.4 | 485.5 | 479.3 |
| Oct | 486.2 | 494.5 | 490.0 | 484.2 |
| Jan | 491.2 | 499.7 | 492.0 | 491.5 |
| Apr | 496.2 | 504.7 | 495.0 | 495.0 |
| Jul | 501.2 | 509.7 | 504.0 | 504.0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 491.5 | 501.8 | 493.0 | 493.0 |
| Jul | 493.3 | 504.0 | 501.9 | 493.0 |
| Aug | 497.2 | 508.0 | 0 | 0 |
| Sep | 501.4 | 512.3 | 510.0 | 501.0 |
| Dec | 512.4 | 523.7 | 522.0 | 511.0 |
| Jan | 516.8 | 527.2 | 0 | 0 |
| Mar | 523.1 | 534.7 | 532.0 | 522.0 |
| May | 530.4 | 542.3 | 537.0 | 530.5 |
| Jul | 537.8 | 550.0 | 541.5 | 539.0 |
| Sep | 545.8 | 558.2 | 551.0 | 550.0 |

INDICES

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Jun 13 | Jun 12 | mnth ago | yr ago |
| 1861.5 | 1871.2 | 1911.9 | 2025.6 |

| DOW JONES (Base: Dec. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| | Jun 12 | Jun 11 | mnth ago | yr ago |
| Spot | 131.63 | 131.56 | 134.95 | 130.72 |
| Futures | 133.08 | 132.70 | 133.19 | 130.55 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 111.25 | 112.50 | 112.00 | 110.20 |
| Jul | 109.60 | 110.60 | 109.70 | 109.90 |
| Aug | 108.10 | 109.60 | 108.40 | 106.10 |
| Sep | 107.10 | 107.90 | 107.10 | 106.50 |
| Oct | 105.95 | 107.30 | 0 | 0 |
| Nov | 104.80 | 105.80 | 0 | 0 |
| Dec | 103.70 | 104.30 | 103.70 | 103.40 |
| Jan | 102.60 | 103.20 | 0 | 0 |
| Mar | 100.40 | 101.00 | 0 | 0 |
| Apr | 99.85 | 100.45 | 0 | 0 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 17.55 | 17.51 | 17.60 | 17.17 |
| Aug | 18.13 | 18.07 | 18.20 | 17.78 |
| Sep | 18.54 | 18.45 | 18.60 | 18.20 |
| Oct | 18.90 | 18.80 | 18.90 | 18.60 |
| Dec | 19.26 | 19.23 | 19.38 | 19.03 |
| Feb | 19.43 | 19.36 | 19.43 | 19.25 |
| Mar | 19.29 | 19.41 | 19.33 | 19.29 |
| Apr | 19.47 | 19.45 | 19.47 | 19.36 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 4845 | 4829 | 4850 | 4770 |
| Aug | 4915 | 4895 | 4915 | 4840 |
| Sep | 5070 | 5046 | 5070 | 5000 |
| Nov | 5295 | 5262 | 5300 | 5245 |
| Dec | 5410 | 5382 | 5410 | 5340 |
| Jan | 5470 | 5450 | 5475 | 5410 |
| Mar | 5255 | 5270 | 5285 | 5245 |
| Apr | 5095 | 5115 | 5130 | 5090 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 1222 | 1218 | 1249 | 1209 |
| Sep | 1253 | 1251 | 1282 | 1244 |
| Dec | 1284 | 1279 | 1309 | 1274 |
| Mar | 1309 | 1301 | 1330 | 1296 |
| May | 1324 | 1319 | 1340 | 1324 |
| Jul | 1340 | 1338 | 1365 | 1338 |
| Sep | 1356 | 1350 | 1373 | 1373 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 91.75 | 92.10 | 92.80 | 91.75 |
| Sep | 94.00 | 94.20 | 94.85 | 94.00 |
| Dec | 97.20 | 97.00 | 97.50 | 96.90 |
| Mar | 99.60 | 99.50 | 99.95 | 99.60 |
| May | 101.80 | 101.60 | 0 | 0 |
| Jul | 103.60 | 103.30 | 104.00 | 0 |
| Sep | 105.35 | 105.60 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 12.92 | 12.93 | 13.20 | 12.79 |
| Oct | 12.72 | 12.77 | 13.01 | 12.62 |
| Mar | 12.15 | 12.27 | 12.42 | 12.10 |
| May | 12.15 | 12.30 | 12.38 | 12.14 |
| Jul | 12.06 | 12.29 | 12.23 | 12.08 |
| Oct | 12.10 | 12.30 | 12.15 | 0 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 80.39 | 80.62 | 80.95 | 80.10 |
| Oct | 75.42 | 75.89 | 75.90 | 75.35 |
| Dec | 72.05 | 72.04 | 72.23 | 71.85 |
| Mar | 72.90 | 72.75 | 73.00 | 72.75 |
| Oct | 68.25 | 66.75 | 67.90 | 67.70 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 192.40 | 191.50 | 192.95 | 191.75 |
| Sep | 189.15 | 188.65 | 190.00 | 190.00 |
| Nov | 183.05 | 182.55 | 183.40 | 182.75 |
| Jan | 180.20 | 179.90 | 180.50 | 179.50 |
| Mar | 180.20 | 179.90 | 180.25 | 180.25 |
| May | 179.30 | 178.90 | 0 | 0 |
| Jul | 179.30 | 178.90 | 0 | 0 |

## Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 606/0 | 607/4 | 612/0 | 604/2 |
| Aug | 612/2 | 613/2 | 617/4 | 610/0 |
| Sep | 615/0 | 616/6 | 620/4 | 614/0 |
| Nov | 623/2 | 624/4 | 629/4 | 621/0 |
| Jan | 633/4 | 635/4 | 639/0 | 632/0 |
| Mar | 644/0 | 645/4 | 649/2 | 643/4 |
| May | 653/4 | 655/2 | 657/0 | 652/0 |
| Jul | 660/0 | 660/0 | 663/0 | 660/0 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 24.49 | 24.74 | 24.82 | 24.40 |
| Aug | 24.28 | 24.62 | 24.62 | 24.26 |
| Sep | 24.10 | 24.40 | 24.40 | 24.10 |
| Oct | 23.71 | 23.97 | 24.12 | 23.70 |
| Dec | 23.30 | 23.61 | 23.70 | 23.25 |
| Jan | 23.10 | 23.35 | 23.40 | 23.10 |
| Mar | 22.90 | 23.15 | 23.20 | 22.90 |
| May | 22.87 | 23.05 | 23.05 | 22.85 |
| Jul | 22.55 | 22.80 | 22.85 | 22.55 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 176.0 | 175.3 | 176.7 | 175.2 |
| Aug | 177.6 | 177.0 | 178.7 | 177.1 |
| Sep | 179.6 | 178.8 | 180.5 | 179.1 |
| Oct | 181.1 | 180.1 | 182.0 | 180.5 |
| Dec | 184.4 | 184.0 | 185.5 | 184.1 |
| Jan | 185.5 | 185.0 | 186.5 | 185.0 |
| Mar | 187.7 | 188.0 | 189.0 | 187.5 |
| May | 189.3 | 189.2 | 191.0 | 189.2 |
| Jul | 191.0 | 191.0 | 191.5 | 191.0 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 290/2 | 292/2 | 293/4 | 289/2 |
| Sep | 286/0 | 289/4 | 291/0 | 285/4 |
| Dec | 281/6 | 286/0 | 287/2 | 281/2 |
| Mar | 287/4 | 291/6 | 292/6 | 287/2 |
| May | 290/2 | 294/6 | 296/0 | 290/0 |
| Jul | 292/2 | 296/6 | 298/0 | 292/0 |
| Sep | 279/4 | 282/6 | 283/2 | 279/4 |
| Dec | 270/4 | 273/6 | 275/0 | 270/4 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 334/2 | 335/2 | 337/0 | 333/4 |
| Sep | 339/2 | 340/0 | 342/0 | 339/0 |
| Dec | 353/6 | 354/4 | 356/2 | 353/2 |
| Mar | 361/0 | 361/0 | 363/0 | 360/0 |
| May | 357/0 | 358/0 | 360/4 | 357/0 |
| Jul | 350/0 | 352/0 | 352/0 | 350/0 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 76.77 | 76.20 | 76.90 | 76.40 |
| Aug | 74.62 | 74.25 | 74.67 | 74.37 |
| Oct | 76.45 | 76.55 | 76.67 | 76.27 |
| Dec | 76.37 | 76.37 | 76.60 | 76.25 |
| Feb | 75.92 | 75.85 | 76.05 | 75.55 |
| Apr | 76.95 | 76.90 | 77.00 | 76.75 |
| Jun | 73.90 | 73.67 | 74.20 | 73.85 |

| LIVE HOGS 30,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jun | 64.17 | 64.32 | 64.50 | 63.87 |
| Jul | 62.30 | 62.70 | 62.85 | 62.20 |
| Aug | 60.22 | 60.17 | 60.60 | 60.05 |
| Oct | 54.72 | 54.70 | 55.10 | 54.65 |
| Dec | 53.92 | 53.85 | 54.30 | 53.70 |
| Feb | 51.37 | 51.30 | 51.60 | 51.20 |
| Apr | 48.25 | 48.22 | 48.37 | 48.17 |
| Jun | 51.35 | 51.35 | 51.45 | 51.35 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 70.46 | 70.50 | 70.90 | 69.50 |
| Aug | 67.67 | 67.55 | 67.95 | 66.85 |
| Feb | 63.35 | 63.25 | 63.50 | 62.92 |

# LONDON STOCK EXCHANGE

# Equities close above Footsie 2,400

THE WAVE of optimism for early UK entry into the exchange rate mechanism of the EMS carried the UK stock market above the FT-SE 2,400 mark yesterday, its first close above that level since the middle of January.

Equity trading volume increased significantly as UK investment funds were somewhat reluctantly drawn into the market on the coat-tails of the European and Far Eastern institutions. Another sharp rise on Wall Street overnight also helped the London market, which later brushed off New York's initially cautious response to an unexpected fall in US May retail sales.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| May 29 | Jun 11 | Jun 25 |
| Option Declarations: | | |
| Jun 7 | Jun 21 | Jul 5 |
| Last Dealings: | | |
| Jun 8 | Jun 22 | Jul 6 |
| Account Day: | | |
| Jun 18 | Jul 2 | Jul 16 |

*New-time dealings may take place from 8.30 am two business days earlier.

*Equities were on the move* early, encouraged by a strong premium on the FT-SE June futures contract, and they jousted with the important 2,400 mark before breaking through decisively just before noon (See chart); shares also responded favourably to the revised UK balance of payments figures for the first quarter of the year.

At best the Footsie was nearly 40 points up at 2,410.3, and although off the top later, closed with renewed vigour behind a strong UK Government bonds sector. The final reading showed the index with a gain of 34.7 at 2,405.4, the first closing level above 2,400 *since January 11. The 2,400* mark has been challenged more recently in inter-day trading and is regarded by many market strategists as a significant hurdle on the way to testing the all-time peak of 2,463.7, reached on January 3.

Seaq trading volume rose substantially from Tuesday's 433.7m shares to 611.2m; yesterday's total was boosted by a £100m two-way trading programme operated overnight by Smith New Court, the aggressive UK securities house, which involved selling some of the market's second line Beta stocks and buying Alphas.

The advance in equities took in virtually the full range of the *Footsie 100 stocks*, with the strength of sterling again seen as a positive factor for domestic *interest rates* and in no way inhibiting shares in the big export companies.

Strategists at leading investment houses admitted to being "surprised by the day's equity levels", as Mr Richard Kersley at BZW put it, and most expressed caution for the near term outlook. Mr John Reynolds at County NatWest said that the market needed evidence of improvement in UK inflation and the trade balance if it was to test its peak.

ERM entry is expected to remove a major obstacle for overseas investors in the UK *stock market by containing the* currency risk. It is the overseas funds which appear most willing *to pursue* UK equities above the 2,400 mark; domestic institutions had regarded 2,400 as the top of their buying range, but are now under increasing pressure to raise their buying sights.

## FINANCIAL TIMES STOCK INDICES

| | June 13 | June 12 | June 11 | June 8 | June 7 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 79.03 | 78.80 | 78.45 | 78.76 | 78.70 | 83.75 | 84.20 (2/1) | 74.13 (30/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 87.87 | 87.61 | 87.33 | 87.56 | 87.41 | 95.22 | 92.91 (8/1) | 83.60 (30/4) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1933.2 | 1901.0 | 1877.9 | 1892.7 | 1904.0 | 1762.9 | 1968.3 (3/1) | 1653.6 (30/4) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 179.9 | 184.5 | 187.5 | 185.1 | 187.9 | 184.4 | 378.5 (6/2) | 178.9 (13/6) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2405.4 | 2370.7 | 2348.8 | 2366.6 | 2378.4 | 2133.6 | 2463.7 (3/1) | 2103.4 (30/4) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 4.78 | 4.85 | 4.91 | 4.89 | 4.86 | 4.58 | | | | |
| Earning Yld %(full) | 10.54 | 10.71 | 10.82 | 10.92 | 10.85 | 11.09 | | | | |
| P/E Ratio(Net)(☆) | 11.50 | 11.32 | 11.19 | 11.06 | 11.12 | 10.92 | | | | |
| SEAQ Bargns 4.45pm | 30,058 | 25,394 | 24,528 | 31,097 | 29,360 | 23,429 | | | | |
| Equity Turnover(£m)† | - | 801.90 | 718.63 | 1020.25 | 1077.91 | 894.13 | | | | |
| Equity Bargains† | - | 24,741 | 25,667 | 32,379 | 29,925 | 25,621 | | | | |
| Shares Traded (ml)† | - | 350.0 | 299.0 | 459.1 | 459.6 | 466.7 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.37

*Ordinary Share Index, Hourly changes* — *Day's High 1934.8* — *Day's Low 1916.8*

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1917.1 | 1917.7 | 1920.6 | 1918.3 | 1926.1 | 1933.2 | 1933.4 | 1931.9 | 1930.0 |

*FT-SE, Hourly changes* — *Day's High 2410.3* — *Day's Low 2390.1*

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2390.9 | 2391.2 | 2396.7 | 2393.4 | 2402.2 | 2410.0 | 2408.4 | 2404.5 | 2402.3 |

### GILT EDGED ACTIVITY

| Indices* | June 12 | June 11 |
|---|---|---|
| Gilt Edged Bargains | 91.1 | 81.8 |
| 5-Day average | 86.4 | 86.8 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

# Sharp advance by BAe

BRITISH Aerospace moved strongly ahead yesterday following a substantial profits upgrading by Hoare Govett, the company's broker. BAe *closed 27 higher at 571p, its* peak of the day, after a trading volume of 3.8m shares.

According to Mr Mike Tampin at Hoare Govett, the impact on profitability of the recent industrial dispute between BAe engineering workers and the company had initially been difficult to predict. "While the strike was on we felt it correct to adopt a prudent approach to this year's profitability," he said.

But it had now become clear that BAe was making a better recovery than expected. "It *really is very encouraging. It is* no mean feat to improve in the way they have and is a tribute to the management and the workforce," Mr Tampin added.

He said he had raised his forecast for the current year to £335m from £285m and Hoare remained a buyer of the stock.

## Polly Peck falls

Polly Peck, the fresh fruit to electronics group, received a setback on speculation that the price of bananas could fall and that it may bid for Dixons, the UK consumer electronic retailer. Polly Peck fell 13 to 437p, having risen nearly 10 per cent over the last month.

Recent news that the "banana war" in Honduras was at an end had led to speculation that banana output was likely to rise and would force prices down. But some analysts said banana prices could even rise as a result of the dispute. And, *in any case,* Polly Peck depended upon Costa Rica and the Philippines for its bananas.

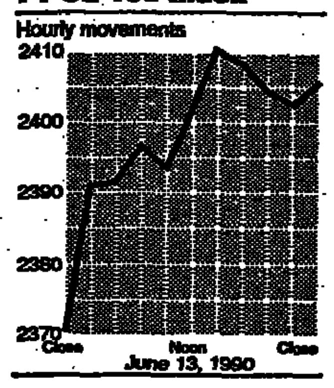
Dealers said the disappearance of a recent buyer of Polly Peck stock, said to be Goldman *Sachs, had been a further* source of weakness. Mr Philip Dorgan of Goldman Sachs confirmed that the US investment house had not been a significant buyer of the stock yesterday, but added that the banana price speculation *had been the* main reason for the fall.

The oils sector had another quiet day. Burmah and Ultramar comprised two-thirds of the falling stocks in the FT-SE 100, but traders could only say that everyone had plenty on their books and there was little buying interest. Both declined *5 to 619p and 345p respectively.*

Among the banks, TSB was unchanged at 143p as Hoare Govett lowered its profits estimate for the current year to £405m from £430m.

Hoare said the downgrade mainly reflected a bad debt charge, adding that its current rating *already* discounted a substantial stock recovery. It advised investors to sell at the current level.

FT-SE 100 Index
Hourly movements



June 13, 1990

Among buoyant internationals, Reuters attracted particular attention on hopes that a joint venture between the company and the American Stock Exchange would soon be *announced. The deal would* establish a screen trading system for the rapidly growing market in privately-placed securities in the US.

Mr Brian Newman of Henderson Crosthwaite, one of the strongest and most consistent bulls of Reuters, published another buy note on the stock. He said that most UK institutions were still underweight and predicted a 1350p price by the end of the year. Reuters climbed 20 to 1221p.

*Stores issues received a fillip* when County NatWest WoodMac softened its bearish stance on the sector. Traders at rival securities houses said this was particularly significant because County had previously been *so strongly* negative.

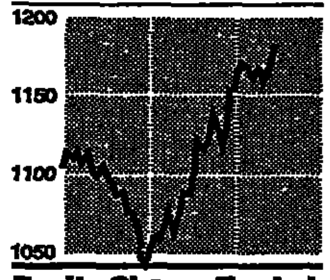
County said that the impending entry of the UK into the European Exchange Rate Mechanism would encourage fund managers to top up their depleted stores shareholdings. That would underpin the sector in the short term, although it remained "very, very bearish" in the long term.

County's recommendation on the sector changed from a sell to a hold, but the securities house singled out as good value Marks and Spencer, 13 ahead at 246p, W.H. Smith, 17 *higher at 365p, Kingfisher, 13* up at 369p, Dixons, which rose 10 to 154p, and Argos, 6 to the good at 234p. It reiterated its one solid buy recommendation among stores, Ratners, which closed unchanged at 284p.

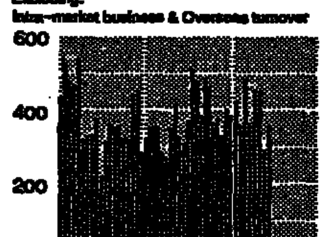
*Alexon* staged a further improvement in the wake of Monday's results and analysts' *subsequent upgradings.* The shares advanced 18 to 479p.

It was a big day for results in the electricals sector. The Racal twins, Electronics and Telecom, initially outperformed the market's rise after *publishing results* broadly in line with analysts' forecasts. Electronics, whose year-end figures were up 13 per cent at £201m, climbed 13 before falling back to 212p for an improvement of just a penny on the day. County NatWest trimmed its forecast for the current year by £5m to £290m. Turnover was a good 11m shares. Telecom, with profits *almost doubled at £165m,* hung on to more of its advance to close at 370p, ahead 8, after a day's high of 373p.

FT-A All-Share Index



Equity Shares Traded
*Turnover by volume (million)*
Excluding:
Intra-market business & Overseas turnover



A 25 per cent profits improvement to £527m from Cable and Wireless was near the top end of the range of analysts' forecasts and the shares added 9 at 569p. *Mr* Patrick Hickey at Henderson Crosthwaite singled out the performance of the company's Mercury subsidiary as being particularly good. Mercury is the licenced competitor to Brit*ish Telecom for non-mobile* voice telecommunications in the UK. BT nevertheless benefited from the warm sentiment in the sector after the figures from C and W and Racal Telecom. BT gained 4 at 295p, having touched a high of 298p.

An annual meeting at Ladbroke was deemed by traders to be marginally more bullish than they expected. The shares climbed 8 to 332p. Mr Cyril Stein, the company's chairman, said that interim profits for 1990 – to be announced on August 29 – would "show good progress."

The market was awash with Granada stock, some of it bought when there were suggestions earlier in the week that Polly Peck might be interested in bidding for the com*pany. Polly Peck has denied* the suggestions. Granada fell another 11 to 262p.

Third market quoted Vista Entertainments was already rising when the company's board said it was in talks with a third party *"that may lead to* a substantial injection of new funds." The shares peaked at 6p before closing at 5¼p, up ¾.

Christian Salvesen climbed 15 to 182p following an 18.5 per cent increase in profits to £62.1m, compared with expectations of £60m. Mr David Atkinson of County NatWest *said the results had been better* than first thought as they contained £2.2m of restructuring costs. Mr Atkinson has raised his estimate for the current year to £69m from £68m.

Tate & Lyle rose 7 to 315p after an announcement that its contemplated bid for Berisford International had been referred to the Monopolies and Mergers Commission. Analysts said the market had been cheered by the announcement *that the MMC had been asked* to report by the end of September, which was sooner than expected. "It keeps the pot boiling," one analyst said. Berisford closed unchanged at 120p after it announced that it was still in talks with companies other than Tate.

■ Other Market statistics, including the FT-Actuaries share index, Page 20

## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (126).
BRITISH FUNDS (4) AMERICANS (2) BANKS (1) BREWERS (5) BUILDINGS (8) CHEMICALS (8) STORES (12) ELECTRICALS (7) ENGINEERING (9) FOODS (3) INDUSTRIALS (22) Alfa-Laval AB "B", BOC, Baird (Wm.), Bowater, Do. 7.75pc Cv Pf., British Vita, CRT, Cape, Cathay Pac., Christies Intl., Diploma, Halma, Hanson, Do. Warrants, *Huntingdon Intl.*, Huntleigh Tech., J.S. Pathology, MB Grp., Do. 7.25p Cv. Pf., Mosaic Inve., Portals, Reckitt & Colman, Relyon, Reuters, Robertson Grp., Rolfe & Nolan, Securiguard Grp., Siebe, Star-Plus, Unilock, Vinten Grp., Wolseley, INSURANCE (3) LEISURE (1) NEWSPAPERS (3) PROPERTY (1) TEXTILES (1) TOBACCOS (1) TRANSPORT (2) TRUSTS (15) THIRD MARKET (1).
NEW LOWS (72).
CANADIANS (1) BANKS (4) BREWERS (1) BUILDINGS (2) CHEMICALS (3) STORES (1) ELECTRICALS (3) ENGINEERING (2) FOODS (1) INDUSTRIALS (8) Corton Beach, Davies (D.Y.), Grafton Grp., Handley-Walker, Maxiprint, Norton Grp., INSURANCE (1) MOTORS (1) NEWSPAPERS (2) PAPERS (3) PROPERTY (3) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (9) OILS (2) MINES (25).

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 79 | 196 | +1 |
| ASDA Group | 3,200 | 116½ | -½ |
| Abbey National | 3,600 | 205 | +4 |
| Allied-Lyons | 3,400 | 514 | +3 |
| Amstrad | 2,200 | 66 | -3 |
| Anglian Water | 2,100 | 160½ | +5 |
| Argos | 1,600 | 234 | +6 |
| Argyll Group | 1,700 | 237 | +5 |
| Am. Brit. Foods | 710 | 423 | +7 |
| BAA | 1,300 | 421 | +1 |
| BAT Inds. | 4,300 | 649 | +11 |
| BET | 2,700 | 260 | +5 |
| BICC | 497 | 460 | +2 |
| BOC | 1,400 | 690 | +10½ |
| BPB Inds. | 2,600 | 225 | |
| BTR | 2,200 | 445 | +11 |
| Barclays | 3,400 | 405 | +7 |
| Bass | 516 | 1085 | +17 |
| Beazer | 975 | 184 | +6 |
| Berisford Int. | 1,600 | 120 | |
| Blue Circle | 2,500 | 250 | +6 |
| Boots | 2,000 | 301 | +7 |
| Brit. Aerospace | 3,800 | 571 | +27 |
| British Airways | 3,700 | 217 | +4 |
| British Gas | 4,200 | 221 | +2½ |
| British Land | 1,100 | 319 | +3 |
| BP | 5,800 | 325½ | +3½ |
| British Steel | 7,700 | 148 | +2 |
| British Telecom | 6,500 | 295 | +4 |
| Bunzl | 686 | 97 | -1 |
| Burmah Oil | 227 | 619 | -5 |
| Burton | 4,300 | 174 | +5 |
| Cable & Wire. | 5,000 | 569 | +9 |
| Cadburys | 1,600 | 358 | +11 |
| Calor Group | 354 | 281 | -8 |
| Carlton Comms. | 298 | 547 | +4 |
| Coats Viyella | 1,100 | 129 | |
| Comm. Union | 1,400 | 517 | +2 |
| Cookson | 3,000 | 225 | +13 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Courtaulds | 971 | 381 | +11 |
| Dalgety | 240 | 376 | +5 |
| Dixons | 9,100 | 154 | +10 |
| ECC Group | 74 | 404 | +2 |
| Enterprise Oil | 431 | 646 | +7 |
| FKI | 1,700 | 73 | |
| Ferranti | 2,200 | 41 | +1 |
| Fisons | 4,100 | 361 | +5 |
| Gen. Accident | 286 | 1137 | |
| General Elect. | 8,900 | 215 | +4 |
| Glaxo | 2,800 | 820 | +14 |
| Globe Inv. | 544 | 201 | +1 |
| Glynwed Int. | 883 | 288 | +6 |
| Granada | 489 | 262 | -11 |
| Grand Met. | 4,300 | 672 | +12 |
| GUS A | 252 | 1173 | +30 |
| GRE | 1,500 | 245 | |
| GKN | 617 | 401 | +9 |
| Guinness | 2,500 | 802 | +10 |
| Hammerson 'A' | 158 | 721 | +2 |
| Hanson | 7,300 | 247½ | +3½ |
| Hanson Warrants | 1,500 | 63½ | +2 |
| Harrisons Crosfield | 548 | 170 | +1 |
| Hawker Sidd. | 249 | 689 | +9 |
| Hillsdown | 2,100 | 288 | +1 |
| IMI | 173 | 255 | +1 |
| ICI | 1,000 | 1251 | +16 |
| Inchcape | 932 | 288 | +6 |
| Kingfisher | 4,800 | 369 | +13 |
| Ladbroke | 2,100 | 332 | +8 |
| Land Securities | 202 | 505 | +1 |
| Laporte | 74 | 559 | +18 |
| Legal & General | 2,600 | 422 | +1 |
| Lloyds Abbey | 784 | 312 | +1 |
| Lloyds Bank | 2,800 | 290 | +10 |
| LASMO | 551 | 385 | +1 |
| Lonrho | 517 | 257 | +1 |
| Lucas | 6,600 | 170 | +1 |
| MB Group | 1,700 | 228 | +5 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| MEPC | 395 | 504 | |
| Manpower | 1,800 | 86 | +2 |
| Marks & Spencer | 15,000 | 246 | +13 |
| Maxwell Comms. | 540 | 201 | +3 |
| Mecca Leisure | 1,500 | 88 | +1 |
| Midland Bank | 1,400 | 309 | +4 |
| NatWest Bank | 1,700 | 350 | +10 |
| Next | 1,900 | 67 | +2 |
| North West Water | 2,400 | 163½ | +5 |
| Northern Foods | 1,200 | 321 | +9 |
| Northumbrian Water | 193 | 178 | +2 |
| Pearson | 309 | 777 | +7 |
| P & O | 879 | 640 | +9 |
| Pilkington | 4,200 | 211 | +7 |
| Polly Peck Intl. | 4,600 | 437 | -13 |
| Prudential | 2,700 | 224 | +1 |
| RHM | 412 | 365 | +8 |
| RMC | 597 | 685 | +5 |
| RTZ | 1,800 | 586 | +4 |
| Racal | 11,000 | 212 | +1 |
| Racal Telecom | 868 | 370 | +8 |
| Rank Org. | 445 | 855 | +7 |
| Reckitt & Colman | 382 | 1316 | +28 |
| Redland | 1,800 | 608 | +11 |
| Reed Intl. | 1,300 | 451 | +11 |
| Reuters | 879 | 1221 | +20 |
| Rolls Royce | 9,700 | 227 | +2 |
| Rothmans | 51 | 795 | +1 |
| Ryl Bk Scotland | 2,800 | 180 | +5 |
| Royal Insurance | 911 | 493 | +4 |
| STC | 1,000 | 281 | +3 |
| Saatchi | 499 | 97 | -3 |
| Sainsbury | 1,600 | 290 | +5 |
| Scottish & New. | 2,300 | 337 | |
| Sears | 9,100 | 108 | +3 |
| Sedgwick | 55 | 255 | +1 |
| Severn Trent Water | 1,400 | 145 | +5½ |
| Shell Transport | 3,400 | 460½ | +1½ |
| Siebe | 288 | 514 | +5 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Slough Ests | 193 | 259 | -1 |
| Smith (W.H.) A | 757 | 365 | +17 |
| Smith & Nephew | 2,600 | 117 | +3½ |
| SmKl Beecham | 1,360 | 557 | +1 |
| SmKl Beecham Units | 0 | 2585 | +5 |
| Smiths Inds. | 1,100 | 271 | -4 |
| South West Water | 688 | 170 | +6 |
| Southern Water | 699 | 147 | +2 |
| Standard Chartd. | 1,000 | 492 | +20 |
| Storehouse | 1,800 | 130 | +3 |
| Sun Alliance | 1,800 | 338 | +8 |
| Sun Life | 100 | 1253 | +3 |
| T&N | 56 | 190 | +1 |
| TI Group | 207 | 605 | +5 |
| TSB | 4,400 | 143 | |
| Tarmac | 4,200 | 255 | +17 |
| Tate & Lyle | 2,000 | 315 | +7 |
| Taylor Woodrow | 479 | 277 | +2 |
| Tesco | 4,700 | 227 | +3 |
| Thames Water | 3,100 | 157 | +6½ |
| THORN EMI | 194 | 771 | +1 |
| Trafalgar House | 1,700 | 313 | +3 |
| Trusthouse Forte | 3,700 | 305 | +10 |
| Ultramar | 1,000 | 345 | -5 |
| Unigate | 384 | 301 | +4 |
| Unilever | 1,600 | 693 | +5 |
| United Biscuits | 1,800 | 384 | +11 |
| Utd. Newspapers | 573 | 343 | +1 |
| Water Package Us. | 3 | £1602 | +53 |
| Wellcome | 1,000 | 695 | +2 |
| Welsh Water | 577 | 173 | +3 |
| Wessex Water | 703 | 186 | +6 |
| Whitbread 'A' | 2,800 | 458 | +8 |
| Williams Hldgs. | 2,800 | 275 | +3 |
| Willis Faber | 307 | 253 | +5 |
| Wimpey | 678 | 242 | +4 |
| Yorkshire Water | 1,000 | 170 | +6 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

# APPOINTMENTS

## Royal Bank of Scotland senior post

■ Dr George Mathewson has been appointed a deputy group chief executive of the Royal Bank of Scotland Group. He will serve alongside Mr H.E. (Rob) Farley who retires as deputy group chief executive in September. Dr Mathewson joined the Royal Bank in 1987 *as director of strategic* planning and development after being chief executive of the Scottish Development Agency.

■ STANDARD CHARTERED has appointed Mr A. Michael G. Rees as chief financial officer, group treasury. He was *with J.P. Morgan in London* where he was head of financial and regulatory accounting.

■ ALFRED McALPINE DEVELOPMENTS has appointed two directors at its Ingatestone *subsidiary* Alfred McAlpine Homes East. Mr Karl Pickering joins the board with responsibility *for* land acquisition, planning and disposal, architectural and engineering work. He joins from Fairclough Homes. Mr Richard Hill becomes sales and marketing director. He was with *McCarthy & Stone* Developments.

■ CORTON BEACH, Southport, has appointed Mr Richard Teatum as managing director of its motor division from June 18. He is joint managing director of D.C. Cook, Yorkshire motor *distributor, and succeeds Mr* Paul Dixon who is resigning to pursue his other interests.

■ Mr Bruce Rayner has been appointed vice president, marketing, consumer financial services, AMERICAN EXPRESS TRS UK. He was head, personal financial services, Standard Chartered Bank.

■ Mr Fred Richardson has been appointed chairman of CROWN FINANCIAL MANAGEMENT (CFM), *Woking. He became president* of Crown Life Insurance Company of Canada, CFM's *parent company*, in August 1988. Earlier in his career he was managing director of Abbey Life, UK. Mr Richardson succeeds the Earl of Westmoreland who remains a director of CFM and of the *parent company.*

■ Mr Martin Bunting, who has been a non-executive director of CLIFFORD FOODS since last year, has been appointed chief executive. He is also a non-executive *director* of Norcros, and succeeds Mr Peter Cottingham who has resigned *for personal reasons.*

■ SAFT, battery manufacturer with headquarters in Romainville, France, has appointed Mr Ken Klinker as director, international *operations. He will oversee* the management of the European subsidiaries - SAFT Akkumulatoren und Batterien in Germany; SAFT (UK); SAFT Italia; SAFT Scandinavia, Sweden, SAFT Finland, and SAFTA in Belgium; as well as SAFT Batteries in Australia, and all international turnkey *contracts.* He will be based in Paris and Hampton, Middlesex. Mr Klinker joined SAFT (UK) in 1981 as commercial director, and then became managing director, a post he has held simultaneously since 1987 with that of chairman of Alcad, the company's other UK-based *subsidiary. SAFT is part of* the CGE Group.

## Bank of Scotland makes changes

■ Mr Bruce Pattullo, deputy governor and group chief executive of BANK OF SCOTLAND, is to succeed Sir Thomas Risk as governor of the bank in May next year, combining the role for the time being with that of group chief executive. Lord Balfour of *Burleigh will retire as deputy* governor next year. Mr Thomas Hutchison, a director of Imperial Chemical Industries, and Professor Jack Shaw, retiring executive director of Scottish Financial Enterprise; both of whom are non-executive directors, will become deputy governors at *that time.* All appointments are subject to shareholder approval.

# CONTRACTS

## Miller gas reception facilities

AOC INTERNATIONAL of Aberdeen, a subsidiary of Fairhaven International, has been awarded, in joint venture with TPG (Technip Geoproduction), a £43m engineering procurement and *construction* contract for the Miller gas reception facilities at St. Fergus terminal in North East Scotland.

★★★

WATES INTEGRA, the design and build company in the Wates Building Group, has secured contracts totalling £23m. They include: a *Tesco* superstore at Purley, a 126-bedroom extension to the Royal and National *Hotel in London* for Imperial London Hotels and a 22,000 sq ft air-conditioned office building at *Kennington* Lane, London SE11 for Tusk Holdings.

★★★

SULZER (UK) BUILDING SERVICES of Farnborough has won contracts totalling £12m for installation of mechanical services such as heating, ventilation and air conditioning in industrial and commercial buildings.

They include a £2.6m contract *for* a new *Lloyds Bank* branch at Red Lion Court, London EC4 and a £2.5m contract from Shepherd Construction for a computer centre at Skipton Building Society.

★★★

TEAM has been appointed by British Gas North Thames to project manage a £9.5m scheme at The Causeway, Staines.

Team will be responsible for ensuring optimum use of the 15-acre site in designing and providing three new buildings, car parking and infrastructure works.

One of the buildings, which will be constructed over part of a lake, combines offices and a terraced restaurant with views across the lake. Laboratories, offices, engineering and stor*age facilities* will be located nearby.

★★★

Orders worth £5.5m for work in north-west England have been won by BEECH CONSTRUCTION, based on Deeside, north Wales. Beech is undertaking a £2.5m fast-track contract for the construction of office and production areas and all civil engineering for the new UK headquarters at Speke, Liverpool, of H.P. Chemie-Pelzer, a company producing insulation components for motor vehicles.

Work is also about to start on the first phase of a £3m contract for Ashurst Gardens on *a five-acre site* at Skelmersdale, Lancashire. The company will build luxury houses, sheltered flats and a residential home for the elderly.

★★★

Following WILTSHIER SOUTH MIDLAND's involvement with Legal & General's Property's campus project at Hemel Hempstead, the builders have been awarded another contract by the company in Watford worth nearly £17m.

The contract involves building four office blocks and two industrial units. Car parking, landscaping and services are included in the price.

★★★

RENDEL PALMER & TRITTON's Glasgow office has won the design contract for a £8m jetty *for minesweepers* at the Royal Naval Base Rosyth. The project involves rock dredging, piling in difficult ground conditions, construction of retaining walls and anchor tie-backs. The contract, let by PSA Projects Edinburgh, will begin in January and finish 18 months later.

★★★

CAMPBELL AND ARMSTRONG has secured orders worth more than £4m including:- £1.2m for Co-operative Insurance Society's offices in *Lincoln's Inn Fields in London;* £1.8m for completion of fitting out of a House of Fraser store *in the Headrow, Leeds;* £603,000 for a Leeds department store at West Thurrock and £250,000 for refitting the Leeds office of Arthur Andersen

★★★

New contracts valued at £6.3m have been won by the construction division of the EVE GROUP. They are led by a £2.44m contract for a health centre at the Carlton Gate development at Harrow Road, London W9, from Costain Management Designs, and a £1m project for an extension to a switching house at Sellindge, Kent, for *National Grid Co.*

Other projects recently awarded are for King's College *Hospital, London,* St George's Hospital, London, the National Physical Laboratory at Teddington, British Rail at Wimbledon Station, the London Borough of Bromley and the BBC at Ascension Island.

★★★

PARR's construction division, based in Westbury, Wilts, has been awarded a £2.8m contract to fit out the Tesco Superstore at Camborne, Cornwall.

This follows on from the initial £3.2m contract to build the 4,000 sq metre store which included *the demolition of a* factory unit and major diversion of existing services.

Work includes mechanical and electrical lift installations.

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Five to Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Over Fifteen Years

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Undated

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BRITISH FUNDS—Contd

Index-Linked

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

### INT. BANK AND O'SEAS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### CORPORATION LOANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### COMMONWEALTH & AFRICAN LOANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LOANS

Building Societies

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Public Board and Ind.

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FOREIGN BONDS & RAILS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div % | Red. Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### AMERICANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## AMERICANS—Contd

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 21⅞ | 14¼ | Chase Manhattan $12½ | 15¼ | -⅛ | $2.36 | - | 9.4 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### CANADIANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on next page

# LONDON SHARE SERVICE

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## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 303 | 209 | ANZ SA1 | 213xd | +3 | 44c | 1.4 | 9.3 | 7.6 |
| 210 | 172 | Abbey National 10p | 205 | +4 | 5.7 | 4.3 | 3.7 | 8.3 |
| 274 | 210 | Allied Irish Ord. | 234 | -1 | Q40% | ◆ | 4.0 | ◆ |
| £13½ | £11⅞ | Algemene Fl.10 | £11⅞ | -⅛ | Q28% | 2.1 | 8.0 | 5.9 |
| 85 | 73 | Anglo Irish | 73 | ...... | †Q18.7% | 2.7 | 6.0 | 10.0 |
| 81 | 68 | Ansbacher (H.) 1p | 77 | ...... | 2.5 | 1.3 | 4.3 | 22.2 |
| £71⅛ | £54¼ | Bancaire Cie Fr100 | £60¼ | -⅛ | hQ124% | – | 2.3 | – |
| £22⅛ | £16⅝ | Banco Bilbao Viz. | £19 | ...... | Q49.1% | 2.7 | 4.4 | 12.3 |
| £31 | £24¼ | Banco de Santander | £27 | ...... | Q25% | 2.4 | 4.1 | 10.1 |
| 286 | 224 | Bank Ireland Ir£1 | 257 | ...... | Q14.3% | ◆ | 5.9 | ◆ |
| £19¼ | £18 | Bank Leumi | £19¼ | ...... | – | – | – | – |
| 350 | 320 | Bank Leumi (U.K.) | 345 | ...... | †13.5 | – | 5.2 | – |
| 125 | 104 | Bank Scotland | 120 | +2 | 4.55 | 3.3 | 5.1 | 8.0 |
| 100¼ | 83¼ | Do. 9¼pc Irrd Pf. | 95 | +½ | 9¼% | – | 13.0 | – |
| 54 | 39 | Bank of Wales | 46 | ...... | 2.8 | 0.8 | 8.1 | (22.0) |
| 428 | 352 | Barclays £1 | 405xd | +7 | h19.57 | 3.5 | 6.4 | 5.6 |
| 22 | 12 | Benchmark 20p | 13 | ...... | 1.63 | 1.0 | 16.7 | 7.5 |
| 335 | 310 | Brown Shipley £1 | 312xd | +2 | 12.0 | ◆ | 5.1 | ◆ |
| 455 | 361 | Cater Allen £1 | 420 | +5 | 23.5 | – | 7.5 | – |
| 179 | 129 | Chancery | 130 | +1 | †8.0 | 2.8 | 8.2 | 5.7 |
| £23¼ | £19¼ | Commerzbk DM10 | £19¼ | ...... | Q18% | – | 3.5 | – |
| £13¼ | 842 | Dai Ichi KBk Y50 | 872 | -13 | Q17% | ◆ | 0.4 | ◆ |
| £313½ | £261 | Deutsche Bk DM50 | £261 | -1¼ | Q28% | – | 1.9 | – |
| £20⅞ | £19 | Espirito Santo | £19⅞ | +¼ | Q75c | ◆ | 2.3 | ◆ |
| 253 | 183 | First Nat. Fin. 10p | 222 | +7 | 13.0 | 2.4 | 7.8 | 6.9 |
| 121 | 96 | FNFC 6.3pc Cv. Pf | 110 | -1 | 6.3% | – | 7.6 | – |
| £13⅛ | £10¼ | Fuji Bank Y50 | £10¼ | -⅞ | Q17% | ◆ | 0.3 | ◆ |
| 325 | 262 | Gerrard & National | 304 | +19 | 19.0 | ◆ | 8.3 | ◆ |
| 154 | 128 | Guinness Mahon 10p | 128 | ...... | 2.1 | – | 2.2 | – |
| 328 | 223 | Hambros 20p | 278 | +5 | †10.0 | – | 4.8 | – |
| 128 | 93 | Do. 7.5pc Cv Pf | 110 | +2 | 7½% | – | 9.1 | – |
| 53½ | 43 | HK & Shang. HK$2.50 | 44½ | ...... | hQ38c | – | 6.5 | – |
| 478 | 458 | Joseph (Leo) £1 | 458 | ...... | 15.85 | – | 4.6 | – |
| 150 | 126 | King & Shaxson 20p | 148 | ...... | 10.25 | ◆ | 9.2 | ◆ |

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ELECTRICALS – Contd

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INSURANCES

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

# LONDON SHARE SERVICE

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## MOTORS, AIRCRAFT TRADES – Contd

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY – Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS – Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

## MINES – Contd

### Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

## NOTES

[illegible] ... and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T *Figures assumed*. W *Pro forma figures*. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Craig & Rose £1 ... ψ | 830 | ...... |
| Finlay Pkg. 5p ... ψ | 53 | ...... |
| Holt (Jos) 25p ... ψ | 1300 | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 | £98¼ | ...... |
| 9pc Cap Ln. 1996 | £94½ | ...... |
| Fin. 13% 97/02 | £112¼ | ...... |
| Arnotts | 410 | ...... |
| Carrol (P.J.) ... ψ | 142 | ...... |
| Hall (R. & H.) | 165 | –2 |
| Heiton Hldgs ... ψ | 88 | +4½ |
| IRG | 205 | ...... |
| United Drug | 163xd | ...... |

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p |
|---|---|
| Allied–Lyons | 40 |
| Amstrad | 7 |
| Astec (BSR) | 6 |
| BAT | 62 |
| BOC Grp | 48 |
| BTR | 37 |
| Barclays | 34 |
| Blue Circle | 21 |
| Boots | 24 |
| Bowaters | 40 |
| Brit Aerospace | 47 |
| British Steel | 13 |
| Brit. Telecom | 25 |
| Cadburys | 38 |
| Charter Cons | 42 |
| Comm Union | 41 |
| Courtaulds | 29 |
| Eurotunnel | 55 |
| FKI | 7 |
| FNFC | 20 |
| Gen Accident | 95 |
| GEC | 18 |
| Glaxo | 68 |
| Grand Met | 53 |
| Guardian | 20 |
| GKN | 33 |
| Hanson | 20 |
| Hawker Sidd | 53 |
| ICI | 99 |
| Ladbroke | 27 |
| Legal & Gen | 34 |
| Lex Service | 28 |
| Lloyds Bank | 25 |
| Lucas Inds | 13 |
| Marks & Spencer | 19 |
| Midland Bk | 24 |
| Nat West Bk | 30 |
| P & O Dfd | 52 |
| Polly Peck | 39 |
| Racal Elect | 19 |
| RHM | 30 |
| Rank Org Ord | 70 |
| Reed Intnl | 38 |
| STC | 21 |
| Sears | 9 |
| SmKl. Beecham A | 48 |
| TI | 39 |
| TSB | 12 |
| Tesco | 19 |
| Thorn EMI | 62 |
| Trust Houses | 24 |
| T&N | 18 |
| Unilever | 58 |
| Vickers | 19 |
| Wellcome | 57 |

### Property

| | |
|---|---|
| Brit Land | 32 |
| Control Secs | 4 |
| Land Securities | 45 |
| MEPC | 45 |
| Mountleigh | 13 |

### Oils

| | |
|---|---|
| Aviva Petlm | 5 |
| Brit Petroleum | 28 |
| Burmah Oil | 55 |
| Conroy Petlm | 10 |
| Gaelic Res | 3½ |
| Premier | 9 |
| Shell | 40 |
| Tuskar Res | 5½ |
| Ultramar | 31 |

### Mines

| | |
|---|---|
| Lonrho | 21 |
| RTZ | 50 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Abbey Unit Tst Mngrs (1000)H** | | | | | | |
| 80 Holdenhurst Rd, Bournemouth 0345 717373 | | | | | | |
| High Income | | | | | | |
| American Income | 6 | 51.90 | 52.49 | 55.83 | +0.04 | 4.91 |
| Gilts & Fixed Int | 6 | 104.2 | 104.2xd | 110.6 | +0.2 | 9.95 |
| High Inc Equity | 6 | 136.7 | 140.4 | 149.3 | +1.0 | 4.25 |
| Worldwide Bond | 6 | 189.8 | 189.8xd | 201.1 | -0.6 | 6.41 |
| Capital Growth | | | | | | |
| American Growth | 6 | 193.5 | 195.2 | 207.6 | +1.3 | 1.12 |
| Asian Pacific | 6 | 138.9 | 141.8 | 150.8 | -1.8 | 0.00 |
| Assets & Earnings | 6 | 158.7 | 158.7xd | 169.7 | +1.3 | 2.88 |
| Capital Reserve Acc | 0 | 92.81 | 92.81 | 93.02 | +0.11 | 7.67 |
| Capital Reserve Inc | 0 | 78.00 | 78.00 | 78.18 | +0.09 | 7.67 |
| Comdty & Energy | 6 | 94.76 | 94.76 | 101.3 | +0.4 | 0.00 |
| Dividend & Growth | 6 | 49.14 | 50.30 | 53.51 | -0.80 | 4.20 |
| 1992 Enterprise | 6 | 64.09 | 64.46 | 68.57 | +0.3 | 1.95 |
| Euro Capital Acc | 6 | 101.9 | 101.9 | 108.9 | -0.1 | 0.91 |
| Euro Capital Inc | 6 | 97.83 | 97.83 | 104.6 | .... | 0.91 |
| General | 6 | 178.7 | 178.7 | 191.1 | +1.6 | 2.62 |
| International | 6 | 60.78 | 61.52 | 65.44 | -0.8 | 0.76 |
| Japan | 6 | 100.6 | 100.6 | 107.5 | -0.3 | 0.00 |
| Mastertrust | 6 | 90.35 | 90.35 | 96.57 | +0.16 | 1.53 |
| UK Growth Acc | 6 | 176.9 | 176.9 | 189.1 | +0.5 | 2.62 |
| UK Growth Dist | 6 | 115.5 | 115.5 | 123.5 | +0.3 | 2.62 |
| US Emerging Cos | 6 | 59.68 | 61.10 | 65.00 | +0.38 | 0.00 |
| Income & Growth | 6 | 304.0 | 304.0xd | 325.1 | +2.3 | 3.15 |
| Ethical | 6 | 47.64 | 47.64xd | 50.95 | +0.36 | 1.96 |
| **Abtrust Management Ltd (1200)H** | | | | | | |
| 10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580 | | | | | | |
| Amer Inc & Growth | 5¼ | 33.02 | 33.10 | 35.34 | +0.13 | 2.23 |
| European | 5¼ | 91.62 | 91.75 | 97.90 | -0.41 | 0.00 |
| European Income | 5¼ | 87.88 | 87.88xd | 93.77 | -0.23 | 1.40 |
| Exempt | 1 | 781.5 | 781.5 | 805.7 | +4.28 | 1.21 |
| Exempt Income | 3¼ | 182.1 | 182.1 | 193.0 | +1.40 | 4.47 |
| Exempt American | 3¼ | 393.9 | 393.9 | 413.1 | +3.80 | 1.39 |
| Exempt Pacific | 3¼ | 269.8 | 269.8xd | 283.5 | -0.50 | 0.00 |
| Extra Income | 5¼ | 43.08 | 43.08xd | 45.99 | +0.26 | 5.52 |
| F East Emerg Econs | 5¼ | 65.73 | 66.02 | 70.70 | +0.35 | 0.00 |
| Fund Inv Tst | 5 | 129.0 | 133.4 | 142.4 | +0.20 | 1.31 |
| Do Accum | 5 | 203.9 | 210.9 | 225.1 | +0.40 | 1.31 |
| Gilt & Fixed Int | 5¼ | 16.48 | 16.92xd | 18.06 | -0.05 | 13.56 |
| Intl Income | 5¼ | 64.40 | 64.40xd | 68.75 | +0.24 | 4.25 |
| Japan | 5¼ | 171.5 | 171.5 | 183.0 | -1.40 | 0.00 |
| Pacific | 5¼ | 44.44 | 44.50 | 47.66 | -0.17 | 0.00 |
| Smaller Companies | 5¼ | 51.35 | 51.35 | 54.81 | -0.38 | 1.81 |
| Special Situations | 5¼ | 64.50 | 64.50 | 68.85 | +0.77 | 0.59 |
| UK Growth | 5¼ | 37.64 | 38.11 | 40.68 | +0.36 | 1.62 |
| World Growth | 5¼ | 55.77 | 55.77xd | 59.53 | +0.18 | 0.00 |

**Acorn Unit Trust Managers Ltd (1100)F**

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Brown Shipley & Co Ltd—Contd.** | | | | | | |
| North American | 6 | 65.03 | 65.03 | 69.26 | +0.51 | 0.38 |
| Orient ϕ | 6 | 118.6 | 119.1xd | 127.8 | -0.70 | – |
| Recovery | 6 | 45.20 | 45.20xd | 48.14 | -0.08 | 3.80 |
| Smaller Cos Acc | 6 | 242.4 | 242.4 | 258.3 | +1.30 | – |
| Smaller Cos Inc | 6 | 148.5 | 148.5 | 158.2 | +0.80 | 1.28 |
| **Brycourt Unit Tst Mgmt Ltd (1400)F** | | | | | | |
| Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382 | | | | | | |
| Income Growth | 1 | 191.5 | 191.5 | 198.5 | .... | 5.64 |
| **Buckmaster Mangmt Co Ltd (1200)H** | | | | | | |
| 15 St Botolph Street, London EC3A 7JJ 071-247 4542 | | | | | | |
| Emerging Gwth | 5¼ | 60.63 | 60.63 | 64.77 | +0.53 | 3.08 |
| (Accum Units) | 5¼ | 62.78 | 62.78 | 66.55 | +0.56 | 3.11 |
| Fellowship Tst | 5¼ | 62.99 | 63.79 | 67.87 | +0.12 | 2.99 |
| (Accum Units) | 5¼ | 65.85 | 66.70 | 70.96 | +0.12 | 3.01 |
| General Inc | 5¼ | 299.2 | 299.2 | 317.2 | +3.6 | 3.55 |
| (Accum Units) | 5¼ | 520.9 | 520.9 | 552.2 | +6.4 | 3.60 |
| Income | 5¼ | 159.6 | 162.5 | 172.4 | +1.2 | 3.96 |
| (Accum Units) | 5¼ | 324.1 | 329.8 | 349.9 | +2.4 | 4.00 |
| International | 5¼ | 104.0 | 104.0 | 110.2 | +0.4 | 1.00 |
| (Accum Units) | 5¼ | 143.8 | 143.8 | 152.4 | +0.6 | 1.00 |
| Smaller Cos | 5¼ | 100.2 | 101.8 | 108.4 | +0.6 | 2.20 |
| (Accum Units) | 5¼ | 111.1 | 112.9 | 120.2 | +0.6 | 2.22 |
| Inv Portfolio | 3 | 56.35 | 56.35 | 58.32 | +0.45 | 3.38 |
| (Accum Units) | 3 | 59.08 | 59.08 | 61.15 | +0.48 | 3.38 |
| High Income Port | 3 | 47.34 | 48.32 | 50.07 | -0.31 | 4.53 |
| **Burrage Unit Tst Mangmt Ltd (0905)F** | | | | | | |
| 117 Fenchurch St, London EC3M 5AL 071-480 7216 | | | | | | |
| Short Dated Gilt | 1¼ | 56.57 | 56.57 | 57.42 | +0.02 | 6.91 |
| **CCF Foster Braithwaite UT Magt (1100)F** | | | | | | |
| 1 White Hart Yard, London SE1 1NX 071-407 5966 | | | | | | |
| CCF Sel High Inc Eqty | 5½ | 48.14 | 49.03 | 52.16 | +0.30 | 0.0 |
| CCF Sel Intl Gwth | 5½ | 47.63 | 47.63 | 51.36 | -0.70 | 0.00 |
| CCF Sel Inv Tst | 5½ | 48.21 | 49.49 | 52.65 | +0.17 | 2.01 |
| CCF Sel UK Sm Cos | 5½ | 46.46 | 47.90 | 50.96 | +0.26 | 2.00 |
| **CCL Unit Trusts Ltd (1400)F** | | | | | | |
| 74 Shepherds Bush Green, W12 8SD 081-740 7070 | | | | | | |
| UK General Tst | 5½ | 56.87 | 58.08 | 61.79 | +1.01 | 2.86 |
| Global Tst | 5½ | 46.59 | 47.10 | 50.11 | +0.10 | 0.35 |
| Recovery Tst | 5½ | 48.57 | 49.90 | 53.09 | +2.08 | 1.92 |
| **CIBC Unit Tst Managers plc (1200)H** | | | | | | |
| Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000 | | | | | | |
| Growth Fd Acc | 5 | 119.5 | 121.0xd | 127.7 | +1.30 | 4.67 |
| **CIS Unit Managers Ltd (1000)F** | | | | | | |
| PO Box 105, Manchester M60 0AH 061 837 5060 | | | | | | |
| UK Growth | 6 | 106.5 | 108.1 | 115.1 | +1.0 | 2.62 |
| UK Income | 6 | 103.8 | 105.7 | 112.9 | +0.6 | 5.73 |
| **CS Fund Managers Limited (1000)H** | | | | | | |
| 125 High Holborn, London WC1V 6PY 071-242 1148 | | | | | | |
| CS America | 5 | 62.65 | 62.65 | 66.64 | +0.11 | 1.08 |
| CS International | 5 | 58.33 | 58.33xd | 62.05 | -0.41 | 1.28 |
| CS Japan | 5 | 137.9 | 137.9 | 146.3 | -0.3 | 1.04 |
| CS Portfolio Inc | 5 | 72.99 | 72.99xd | 77.64 | -0.05 | 2.58 |
| **Canada Life Unit Tst Mgrs Ltd (1200)F** | | | | | | |
| High St, Potters Bar, Herts, EN6 5BA 0707 51122 | | | | | | |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Special Sits | 5 | 33.63 | 34.74 | 36.95 | +0.39 | 3.63 |
| International | 5 | 53.21 | 53.21 | 56.60 | -0.02 | 3.05 |
| Ecology | 5 | 59.49 | 60.79 | 64.67 | +0.03 | 1.86 |
| **Metropolitan Unit Trust Mngrs Ltd (1000)F** | | | | | | |
| 3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184 | | | | | | |
| Eurogrowth Plus | 6 | 76.53 | 77.46xd | 82.40 | +0.27 | 0.58 |
| Global Growth | 5¼ | 44.70 | 44.70xd | 47.55 | +0.12 | 0.53 |
| Global Income Acc | 6 | 55.92 | 56.65 | 60.27 | +0.22 | 3.32 |
| Do Income | 6 | 51.38 | 52.06 | 55.38 | +0.2 | 3.61 |
| Sunrise Accum | 6 | 67.85 | 69.37 | 73.80 | -0.62 | 0.00 |
| UK Growth Acc | 6 | 55.39 | 56.77 | 60.39 | +0.57 | 1.66 |
| UK Income Acc | 5¼ | 65.28 | 66.48 | 70.72 | +0.51 | 4.24 |
| Do Income | 5¼ | 59.62 | 60.72 | 64.60 | +0.48 | 4.64 |
| **Midland Unit Trusts Ltd (1200)F** | | | | | | |
| 192 Eyre Street, Sheffield, S1 3RD 0742 529888 | | | | | | |
| British Tst | 6 | 63.77 | 64.24 | 68.71 | +1.24 | 2.98 |
| (Accum Units) | 6 | 66.31 | 66.81 | 71.45 | +1.3 | 2.98 |
| Capital | 6 | 111.0 | 113.9 | 121.8 | +3.1 | 3.94 |
| (Accum Units) | 6 | 161.7 | 166.0 | 177.5 | +4.5 | 3.34 |
| European Growth | 6 | 158.5 | 158.5xd | 168.8 | -0.4 | 0.65 |
| (Accum Units) | 6 | 195.4 | 195.4 | 208.1 | -0.5 | 0.65 |
| Extra High Inc | 6 | 65.66 | 66.95 | 71.60 | +0.39 | 7.25 |
| (Accum Units) | 6 | 93.97 | 95.84 | 102.5 | +0.6 | 7.25 |
| Gilt & Fxd Int | 4 | 46.88 | 46.88xd | 48.96 | +0.2 | 10.12 |
| (Accum Units) | 4 | 100.8 | 100.8 | 105.3 | +0.1 | 10.12 |
| High Yield | 6 | 199.1 | 199.1xd | 212.9 | +1.2 | 5.79 |
| (Accum Units) | 6 | 403.7 | 403.7 | 431.8 | +2.7 | 5.79 |
| Income | 6 | 246.2 | 249.3 | 266.6 | +2.2 | 4.51 |
| (Accum Units) | 6 | 453.4 | 459.0 | 490.9 | +4.1 | 4.51 |
| Intl High St UT | 6 | 59.02 | 59.02 | 63.12 | +0.47 | 1.73 |
| (Accum Units) | 6 | 61.24 | 61.24 | 65.51 | +0.49 | 1.73 |
| Japan Growth | 6 | 335.1 | 335.1 | 358.4 | -2.7 | 0.00 |
| (Accum Units) | 6 | 352.3 | 352.3 | 376.7 | -2.8 | 0.00 |
| Mandarin Tst | 6 | 69.11 | 69.19xd | 74.00 | -0.75 | 1.15 |
| (Accum Units) | 6 | 70.17 | 70.25 | 75.13 | -0.76 | 1.15 |
| Mngd P'folio Acc | 6 | 71.81 | 72.62 | 77.67 | +0.21 | 2.50 |
| Money Market UT | 1½ | 49.87 | 49.87xd | 50.62 | +0.2 | 13.60 |
| (Accum Units) | 1½ | 58.10 | 58.10 | 58.97 | +0.01 | 13.60 |
| North American | 6 | 123.1 | 124.5xd | 133.2 | +0.4 | 0.95 |
| (Accum Units) | 6 | 152.0 | 153.8 | 164.5 | +0.5 | 0.95 |
| Smaller Cos | 6 | 145.8 | 145.8 | 155.9 | +1.2 | 2.68 |
| (Accum Units) | 6 | 163.1 | 163.1 | 174.4 | +1.4 | 2.68 |
| Meridian Income | 6 | 106.1 | 107.2 | 114.7 | +1.5 | 4.08 |
| (Accum Units) | 6 | 112.3 | 113.4 | 121.3 | +1.6 | 4.08 |
| Meridian Growth | 6 | 120.6 | 120.6 | 129.0 | +0.9 | 2.21 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Pembroke Accum | 5 | 85.45 | 88.04 | 93.31 | .... | 2.43 |
| **Perpetual Unit Tst Mngmt (1200)F** | | | | | | |
| 48 Hart Street, Henley on Thames 0491 576868 | | | | | | |
| International Gwth | 5½ | 360.13 | 360.13 | 385.17 | +1.82 | 1.03 |
| Income | 5 | 242.34 | 242.34 | 259.19 | +2.52 | 5.08 |
| W'wide Recovery | 5½ | 216.71 | 216.71 | 231.78 | +1.19 | 1.06 |
| American Growth | 5½ | 100.08 | 100.42 | 107.41 | +0.97 | 1.29 |
| Intl Emerging Cos | 5½ | 102.56 | 103.50 | 110.70 | +1.88 | 3.40 |
| Far East Gwth | 5½ | 135.49 | 135.49 | 144.91 | -0.71 | 2.02 |
| European Gwth | 5½ | 99.43 | 99.43 | 106.35 | -0.22 | 1.53 |
| UK Growth | 5½ | 48.52 | 48.83 | 52.23 | +0.40 | 2.98 |
| High Income | 5½ | 56.90 | 56.90 | 60.86 | +0.28 | 5.99 |
| Japanese Gwth | 5½ | 154.41 | 154.41 | 165.15 | .... | 0.01 |
| PEP Gwth & Inc | 5½ | 58.01 | 58.42 | 62.49 | +0.58 | 2.64 |
| Asian Smllr Mkts | 5½ | 50.16 | 50.59 | 54.11 | -0.04 | 1.40 |
| **Phillips & Drew Unit Managers Ltd (1400)F** | | | | | | |
| 14 Finsbury Square, London EC2A 1PD 071-628 6070 | | | | | | |
| Charities Fd Inc Jun 13 | ¼ | 94.76 | 94.76 | 95.12 | +1.18 | 10.6 |
| Charities Intl Uni Jun 13 | ¼ | 101.1 | 101.1 | 101.5 | +0.4 | 2.5 |
| UK Exempt May 31 | ¼ | 104.0 | 104.0 | 106.0 | .... | 5.6 |
| Charities Intl June 1 | ¼ | 123.4 | 123.4 | 125.2 | .... | 2.9 |
| **Principal Unit Trust Mngmt Ltd (1600)F** | | | | | | |
| 16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700 | | | | | | |
| Principal Tst | 5½ | 97.00 | 98.23 | 104.50 | | (z)3.50 |
| **Prolific Unit Tst Mngrs Ltd (1100)F** | | | | | | |
| 222 Bishopsgate, London EC2 071-247 7544/7 | | | | | | |
| American Income | 5 | 64.12 | 64.76 | 68.90 | +1.09 | 3.91 |
| Conv & Gilt | 5 | 109.7 | 109.7xd | 116.7 | -3.2 | 8.00 |
| Euro Gwth & Inc | 5 | 62.90 | 63.32 | 67.51 | +0.56 | 1.09 |
| Extra Income | 5 | 136.1 | 136.1 | 144.7 | +0.7 | 4.99 |
| Far East | 5 | 269.6 | 270.8 | 288.7 | -0.7 | 0.01 |
| High Income | 5 | 87.76 | 87.76 | 93.38 | +0.41 | 4.74 |
| International | 5 | 166.1 | 167.6 | 178.4 | +2.6 | 0.14 |
| Nth American | 5 | 158.9 | 158.9 | 169.4 | +1.4 | 0.29 |
| Pref & Fxd Int | 5 | 36.24 | 36.24 | 38.99 | +0.10 | 10.44 |
| Special Sits | 5 | 111.6 | 111.6xd | 118.9 | +0.6 | 1.58 |
| Technology | 5 | 156.3 | 156.3xd | 166.2 | +1.1 | 0.09 |
| **Providence Capitol Fd Mgrs Ltd (1000)H** | | | | | | |
| 30 Uxbridge Road, London W12 8PG 081-749 9111 | | | | | | |
| European Acc | 5 | 150.1 | 150.1xd | 160.8 | +0.5 | 0.67 |
| European Inc | 5 | 144.0 | 144.0xd | 154.2 | +0.4 | 0.67 |
| Japan Acc | 5 | 99.9 | 99.9 | 107.0 | -0.3 | 0.00 |

**Global Asset Management (1200)F**

GAM Sterling Management Ltd

12 St James's Place, London SW1 071-493 9990

**Lloyds Bk Unit Tst Mgrs Ltd—Contd.**

**Midland Unit Trusts Ltd—Contd.**

Midland Personal Pension Unit Trust

**Providence Capitol Fd Mgrs Ltd—Contd.**

**Scottish Amicable Ut Tst Mgrs Ltd (1200)H**

**Scottish Equitable Fd Mgrs Ltd (1000)H**

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ϕ - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

# FT MANAGED FUNDS SERVICE

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| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Touche Remnant Unit Tst Mngt Ltd—Contd.** | | | | | | |
| TR Income Growth | 5¼ | 90.71 | 90.71 | 96.50 | +0.94 | 4.76 |
| TR Income Monthly | 5¼ | 52.92 | 52.91 | 56.28 | +0.26 | 4.82 |
| TR Japan Growth | 5¼ | 83.96 | 83.96 | 89.10 | -0.47 | 0 |
| TR Overseas Growth | 5¼ | 68.33 | 68.33 | 72.86 | -0.30 | 0 |
| TR Smaller Cos | 5¼ | 78.03 | 78.03 | 83.01 | | |
| TR Special Opt | 5¼ | 88.11 | 88.11 | 93.73 | | 3.65 |
| TR Mngd Eq Plan Acc | 5¼ | 94.68 | 94.68 | 99.03 | | |
| TR Mngd Eq Plan Inc | 5¼ | 94.40 | 94.40 | | | 2.94 |
| TR World Sp Sit Acc | 5¼ | 39.60 | 39.60 | 42.32 | -0.03 | 0 |
| TR World Sp Sit Inc | 5¼ | 39.56 | 39.56 | 42.28 | -0.02 | 0 |
| **TR Pension Portfolio** | | | | | | |
| TR American Growth | 6 | 29.67 | 30.07 | 31.88 | +0.22 | 0 |
| TR Eur Sp Sits | 6 | 35.89 | 36.25 | 38.43 | -0.07 | 0 |
| TR General Growth | 6 | 26.28 | 26.56 | 28.15 | | 0 |
| TR Global Tech | 6 | 30.86 | 31.28 | 33.15 | | 0 |
| TR Income Growth | 6 | 26.39 | 26.66 | 28.27 | | 0 |
| TR Japan Growth | 6 | 26.34 | 26.56 | 28.16 | | 0 |
| TR Mngd Equity | 6 | 28.12 | 28.42 | 30.13 | | 0 |
| TR Overseas Growth | 6 | 29.36 | 29.74 | 31.53 | -0.07 | 0 |
| TR Smaller Cos | 6 | 18.38 | 18.58 | 19.69 | | 0 |
| TR Special Opps | 6 | 18.09 | 18.28 | 19.38 | | 0 |
| TR Stlg Liquidity | 6 | 26.33 | 26.79 | 27.91 | | 0 |
| TR World Sp Sits | 6 | 32.19 | 32.68 | 34.65 | | 0 |
| **Trades Union Unit Tst Mngrs (1200)H** | | | | | | |
| NLA Tower, Addiscombe Road, Croydon 081-686 4355 | | | | | | |
| TUUT | 5 | 254.7 | 262.2 | 276.0 | +2.7 | 3.13 |
| **Triton Fd Mngrs. Ltd. (1000)H** | | | | | | |
| Royal Ldn. Hse. Colchester CO1 1RA 0206 764400 | | | | | | |
| Triton General | 5¼ | 170.8 | 173.4 | 184.5 | | 3.30 |
| **Tyndall Unit Tst Mngrs Ltd (1600)F** | | | | | | |
| 25 Bucklersbury, London EC4R 0800 373574 | | | | | | |
| Austral Value | 5¼ | 40.62 | 40.62 | 43.07 | -0.27 | — |
| British Life | 5 | 90.13 | 90.13 | 95.54 | +0.76 | 3.98 |
| Accum Units | 5 | 95.24 | 95.24 | 100.96 | +0.80 | 3.98 |
| Capital Defender | 5 | 37.82 | 37.82 | 40.09 | +0.39 | 12.87 |
| Accum Units | 5 | 43.18 | 43.18 | 45.78 | +0.45 | 12.87 |
| 1992 Eurogrowth Acc | 5¼ | 77.96 | 77.96 | 82.65 | -0.21 | 1.05 |
| Income | 5 | 80.09 | 80.09 | 84.91 | | 7.86 |
| Accum Units | 5 | 92.20 | 92.20 | 97.75 | | 7.86 |
| Smaller Co's | 5 | 71.79 | 71.79 | 76.11 | +0.06 | 3.53 |
| Accum Units | 5 | 74.95 | 74.95 | 79.45 | +0.06 | 3.53 |
| Tiger Accum H | 5¼ | 76.05 | 76.05 | 80.62 | -0.79 | 1.84 |
| **UK Unit Trust Managers Ltd (0905)F** | | | | | | |

## OTHER UK UNIT TRUSTS

## INSURANCES

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Abbey Life Assurance Co Ltd—Contd.** | | | | |
| High Inc. Ser. 4 | 479.3 | 504.6 | +2.8 | — |
| Money Ser. 4 | 250.4 | 263.6 | | — |
| Intl Ser. 4 | 114.9 | 121.0 | -0.5 | — |
| Custodian Ser. 4 | 105.4 | 111.0 | | — |
| **Pension Funds** | | | | |
| Property | 647.8 | 681.9 | | — |
| Equity | 1190.1 | 1252.7 | +10.6 | — |
| Selective | 387.7 | 408.2 | +2.7 | — |
| Managed | 869.8 | 915.6 | +4.2 | — |
| Security | 495.4 | 521.5 | | — |
| Fixed Int | 261.6 | 275.4 | +0.7 | — |
| Indexed | 159.3 | 168.3 | -0.3 | — |
| American | 279.9 | 294.7 | +1.9 | — |
| Japan | 318.2 | 335.0 | -0.6 | — |
| European | 186.0 | 195.8 | -0.1 | — |
| High Income | 233.1 | 248.2 | +0.8 | — |
| Ethical | 122.9 | 129.4 | +1 | — |
| International | 212.0 | 223.2 | -2.1 | — |
| **Acuma Life Assurance Ltd** | | | | |
| The Glanty, Egham, Surrey TW2 9AT 0784 475333 | | | | |
| Managed | 175.5 | 184.7 | | — |
| World Growth | 147.7 | 155.5 | | — |
| UK Equity | 204.2 | 214.9 | | — |
| UK Small Companies | 173.5 | 182.6 | | — |
| European | 153.4 | 161.4 | | — |
| Far Eastern | 309.6 | 325.8 | | — |
| Nth American | 115.9 | 121.9 | | — |
| Fixed Interest | 126.8 | 133.4 | | — |
| Index Linked Stks | 143.8 | 151.3 | | — |
| Money | 128.3 | 135.0 | | — |
| Pen Managed | 223.9 | 235.7 | | — |
| Pen World Growth | 162.7 | 171.3 | | — |
| Pen UK Equity | 290.7 | 306.0 | | — |
| Pen UK Small Cos | 219.9 | 231.4 | | — |
| Pen European | 151.1 | 159.0 | | — |
| Pen Far Eastern | 461.4 | 485.6 | | — |
| Pen Nth American | 117.8 | 123.9 | | — |
| Pen Fixed Interest | 154.4 | 162.5 | | — |
| Pen Index Lnkd Stks | 153.9 | 161.9 | | — |
| Pen Money | 148.4 | 156.1 | | — |
| **AEtna Life Insurance Co Ltd** | | | | |
| 2-12 Pentonville Rd, London N1 9XD 0800 010575 | | | | |

Continued on next page

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## OFFSHORE AND OVERSEAS

### CANADA (SIB RECOGNISED)

### GUERNSEY (REGULATED)

### GUERNSEY (SIB RECOGNISED)

### MANAGEMENT SERVICES

### OFFSHORE INSURANCES

# FT MANAGED FUNDS SERVICE

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| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Stonehage Fund Mngrs Ltd** | | | | |
| Intl Man Fd | $10 921 | 10.971 | ..... | – |
| **Strongbold Asset Mngmt (Guernsey) Ltd** | | | | |
| Tech and Comm | £13.77 | 14.61 | −0.41 | – |
| Pacific Basin Fd | $382.50 | 406.88 | ..... | – |
| Western European | $17.06 | 18.24 | −0.41 | – |
| **The Thai-Euro Fund Ltd** | | | | |
| Lloyds Bank Fund Mngrs (Guernsey) Ltd | | | | |
| NAV June 8 | | 24.84 | ..... | – |
| **Tyndall International (Guernsey) Ltd** | | | | |
| Capital Defender | 51.30 | 1.38 | +0.01 | – |
| Hi Yield Bond | 63.8 | 67.1 | ..... | – |
| Internat. Spec. Sits | 47.1 | 49.5 | −0.3 | – |
| Marmouchi Fd | 87.8 | 92.3 | −0.2 | – |
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | | $710.78 | ..... | – |
| Fixed-income Shares | | $826.93 | ..... | – |
| **Wellington Fd Mngrs (Guernsey) Ltd** | | | | |
| Intnl Growth Fd | $13.64 | 14.32 | ..... | – |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Meta Growth | | $12.08 | −0.02 | – |
| Yamaichi ESS Fund | | $8.57 | −0.03 | – |
| Yamaichi CB Plus Fund | | $9.11 | −0.02 | – |
| That Inv Fund | | $15.86 | ..... | – |

## IRELAND (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gr's |
|---|---|---|---|---|---|---|
| **AIG Fund Management Ltd "MI Trusts"** | | | | | | |
| MI Global Dollar | | $– | 1.00 | 1.07 | ..... | – |

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gr's |
|---|---|---|---|---|---|---|
| **Allied Irish Fund Managers—Contd.** | | | | | | |
| Dn Sterling Equivalent | | | £21.3729 | | −0.0149 | – |
| Ecu | | | Ecu12.9871 | | +0.0028 | – |
| Irish Gilt Fd | | | ¥5189.4954 | | −0.0985 | – |
| Intl Managed Dollar | | | $29.9563 | | +0.0289 | – |
| Intl Managed Bond | | | £21.6493 | | +0.0378 | – |
| **Barclays Intl Funds** | | | | | | |
| Currency Funds | | | | | | |
| Sterling | | | £18.03 | | +0.01 | 14.0 |
| US Dollar | | | $28.95 | | +0.02 | 7.1 |
| Deutschemark | | | DM49.70 | | +0.01 | 6.6 |
| Yen | | | Y3,709 | | +0001 | 5.5 |
| Managed Multicurrency | | £12.46 | 12.91 | | +0.07 | – |
| Managed Multicurrency | | $23.66 | 24.50 | | +0.01 | – |
| Bond Funds | | | | | | |
| Sterling Bond | | £0.381 | 0.996 | | +0.001 | 12.1 |
| US Government Income | | $95.14 | 98.54 | | +0.05 | 8.5 |
| **Brown Shipley Fund Mgmt (CI) Ltd** | | | | | | |
| Sterling Bd(Daily) | | £8.78 | 9.08 | | −0.01 | 11.01 |
| Sterling Cap (Daily) | | £31.83 | 31.85 | | +0.01 | |
| Intl. Bond (Daily) | | $14.46 | 15.42 | | +0.07 | 8.36 |
| Int Currency (Wed) | | £1.44 | 1.53 | | ..... | 7.84 |
| **Cater Allen Investment Management (CI)** | | | | | | |
| CA Gilt Income | | £6.74 | 7.05 | | +0.09 | 17.02 |
| CA Gilt & Futures | | 919.00 | 966.00 | | ..... | 8.38 |
| CA Equity Gwm(2-1) | | £4.68 | 5.06 | | ..... | 3.95 |
| **Citibank (CI) Ltd "Citifunds"** | | | | | | |
| Liquidity Funds | | | | | | |
| Deutschmark | | | DM26.805 | | +0.016 | – |
| Yen | | | Y2711.929 | | +1.349 | – |
| Sterling | | | £10.195 | | +0.012 | – |
| US Dollar | | | $16.571 | | +0.011 | – |
| Managed | | | $16.128 | | +0.009 | – |
| Short term Investment Funds | | | | | | |
| Irish £ June 14 | | | 98.054 | | +0.125 | – |
| Equity Funds | | | | | | |
| Global Equity | | | $16.090 | | −0.030 | – |
| Japan Equity June 14 | | | $10.600 | | −0.227 | – |
| European Equity June 11 | | | $16.289 | | −0.122 | – |
| US Em Hith June 11 | | | $12.665 | | +0.142 | – |

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling continues to advance

STERLING continued to advance on speculation that Britain will join the exchange rate mechanism of the European Monetary System in the autumn. Mr John Major, the UK Chancellor, has indicated that he favours a strong entry level for the pound, as part of the Government's anti-inflation policy. Dealers believe this will keep sterling firm, despite unease about the underlying economic situation in the UK.

There was good news yesterday in the form of a downward revision of the first quarter UK current account deficit to £4.74bn from an earlier estimate of £5.47bn. This was partly the result of the balance on invisible earnings being revised from flat to a surplus of £728m, but the Central Statistical Office warned about the possible quality of some data and said the figures should be treated with caution.

In the present climate the pound seems unlikely to suffer any marked set back from today's figures on UK employment trends, including average earnings, although after its recent rise the currency may be vulnerable to profit-taking. Analysts expect April average earnings to have risen at an unchanged rate of 9.5 per cent, with May unemployment up by about 5,000.

High London interest rates will continue to underpin the pound. In its action on the London money market yesterday the Bank of England indicated that it has no wish to see a reduction in bank base rates at present.

Sterling failed to attack the DM2.90 level but finished in London only just below the day's peak of DM2.8950, at DM2.8900, compared with DM2.8825 previously. The pound also gained ¼ cent to $1.7080, while advancing to FFr9.7150 from FFr9.6975; to SFr2.4475 from SFr2.4450; and to Y264.50 from Y263.00. Its index rose 0.3 to 90.6.

The dollar traded quietly, but weakened a little on news that May US retail sales fell 0.7 per cent, compared with forecasts of a small rise. This was the third consecutive monthly fall in retail sales, giving encouragement to the view that the Federal Reserve may ease its monetary stance. The dollar is likely to attract more attention tomorrow when figures on US trade, consumer prices and industrial production are released.

At the London close the US currency had eased to DM1.6915 from DM1.6920; to SFr1.4330 from SFr1.4360; and to FFr5.6875 from SFr5.6950, but improved to Y154.80 from Y154.45. Its index was unchanged at 67.8.

The D-Mark remained slightly above the French franc at the bottom of the EMS, while the Italian lira again threatened to burst through its maximum limit within the system. The French franc touched its floor against the lira of L218.13, but was fixed slightly higher at L218.15 in Milan without any intervention by the Bank of Italy. At the close of trading in London the French unit had recovered a little more ground to L218.20.

### £ IN NEW YORK

| June 13 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.7100-1.7110 | 1.7025-1.7035 |
| 1 month | 0.94-0.93pm | 0.95-0.94pm |
| 3 months | 2.72-2.72pm | 2.65-2.63pm |
| 12 months | 9.14-9.04pm | 8.94-8.87pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

### CURRENCY RATES

### CURRENCY MOVEMENTS

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| Iran | 119.60* | 69.90* |
| Korea(Sth) | 1210.30-1229.80 | 713.40-719.00 |
| Kuwait | 0.49850-0.49950 | 0.29270-0.29310 |
| Luxembourg | 59.40-59.50 | 34.75-34.85 |
| Malaysia | 4.6270-4.6385 | 2.7085-2.7105 |
| Mexico | 4858.70-4861.80 | 2843.00-2844.00 |
| N. Zealand | 2.9440-2.9485 | 1.7205-1.7225 |
| Saudi Ar. | 6.3875-6.3925 | 3.7495-3.7505 |
| Singapore | 3.1560-3.1630 | 1.8465-1.8485 |
| S. Af (Cm) | 4.5500-4.5615 | 2.6645-2.6660 |
| S. Af (Fn) | 6.8005-6.9390 | 3.9840-4.0650 |
| Taiwan | 46.40-47.05 | 27.45-27.45 |
| U.A.E. | 6.2545-6.2615 | 3.6720-3.6730 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| June 13 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 15-14¾ | 15-14¾ | 14⅞-14⅞ | 14⅞-14⅞ | 14⅞-14¾ | 14¾-14⅞ |
| US Dollar | 8¼-8⅛ | 8¼-8⅛ | 8⅛-8⅛ | 8⅛-8¼ | 8⅛-8⅛ | 8⅛-8⅛ |
| Can. Dollar | 13¾-13½ | 13¾-13½ | 13¾-13½ | 13⅞-13⅞ | 13⅞-12⅞ | 12⅞-12⅞ |
| D. Guilder | 8½-8 | 8⅛-8⅛ | 8¼-8⅛ | 8¼-8¼ | 8⅛-8⅛ | 8¼-8¼ |
| Sw. Franc | 9¼-9⅛ | 9¼-9⅛ | 9⅛-8⅞ | 9-8¾ | 8⅞-8⅝ | 8⅝-8⅝ |
| Deutschmark | 7⅞-7⅞ | 7⅞-7⅞ | 8-7¾ | 8¼-8⅛ | 8⅛-8⅛ | 8⅞-8⅞ |
| Fr. Franc | 9⅝-9½ | 9⅝-9½ | 9¼-9⅛ | 10-9⅞ | 10⅛-10⅛ | 10⅛-10⅛ |
| Italian Lira | 13-11 | 11⅞-10¼ | 11⅛-11⅛ | 11⅛-11⅛ | 11⅛-11⅛ | 12-11⅞ |
| Belgian Franc | 10⅛-10⅛ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | 7⅛-6⅞ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| D. Krone | 10⅛-10⅛ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | 8⅞-8⅞ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9⅛-9 per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### POUND SPOT- FORWARD AGAINST THE POUND

| June 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.7030-1.7125 | 1.7075-1.7085 | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | 1.9965-2.0065 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Netherlands | 3.24¾-3.25¾ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

### EMS EUROPEAN CURRENCY UNIT RATES

### EXCHANGE CROSS RATES

| | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| DM | 0.346 | 0.591 | 1 | 91.52 | 3.362 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| YEN | 3.781 | 6.457 | 10.93 | 1000. | 36.73 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| F Fr. | 1.029 | 1.758 | 2.975 | 272.3 | 10. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| S Fr. | 0.408 | 0.698 | 1.181 | 108.0 | 3.969 | 1 | [illegible] | [illegible] | [illegible] | [illegible] |
| H Fl. | 0.307 | 0.525 | 0.888 | 81.31 | 2.986 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lira | 0.472 | 0.806 | 1.363 | 124.8 | 4.583 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| C $ | 0.500 | 0.854 | 1.444 | 132.2 | 4.855 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| B Fr. | 1.682 | 2.873 | 4.861 | 444.9 | 16.34 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF) Stock Index

| | Open | Close | Change | High | Low | Open Int |
|---|---|---|---|---|---|---|
| June | 2082.0 | 2036.5 | +28.5 | 2037.0 | 2016.0 | 4,895 |
| July | 2022.0 | 2036.0 | +29.0 | 2036.0 | 2015.0 | 1,354 |
| August | 2032.0 | 2029.0 | +13.0 | 2032.0 | 2029.0 | 230 |
| September | - | - | - | - | - | 10 |

Estimated volume 6,025 Total Open Interest 6,489

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 15 | Coutts & Co | 15 | NatWestminster | 15 |
| Adam & Company | 15 | Cyprus Popular Bk | 15 | Northern Bank Ltd | 15 |
| Allied Trust Bank | 15 | Dunbar Bank PLC | 15 | Nykredit Mortgage Bank | 15½ |
| Allied Irish Bank | 15 | Duncan Lawrie | 15 | Provincial Bank PLC | 16 |
| ● Henry Ansbacher | 15 | Equatorial Bank plc | 15 | Roxburghe G'rantee | 15½ |
| Associates Cap Corp | 15½ | Exeter Trust Ltd | 15½ | Royal Bk of Scotland | 15 |
| ● B & C Merchant Bank | 15 | Financial & Gen. Bank | 15 | Royal Trust Bank | 15 |
| Bank of Baroda | 15 | First National Bank Plc. | 16½ | ● Smith & Williamson Secs. | 15 |
| Banco Bilbao Vizcaya | 15 | ● Robert Fleming & Co. | 15 | Standard Chartered | 15 |
| Bank Credit & Comm | 15 | Robert Fraser & Ptnrs. | 15½ | TSB | 15 |
| Bank of Cyprus | 15 | Girobank | 15 | Unibank plc | 15 |
| Bank of Ireland | 15 | ● Guinness Mahon | 15 | ● United Bk of Kuwait | 15 |
| Bank of India | 15 | HFC Bank plc | 15 | United Mizrahi Bank | 15 |
| Bank of Scotland | 15 | ● Hambros Bank | 15 | Unity Trust Bank Plc | 15 |
| Banque Belge Ltd | 15 | Hampshire Trust Plc | 15½ | Western Trust | 15 |
| Barclays Bank | 15 | Heritable & Gen Inv Bnk. | 15 | Westpac Bank Corp. | 15 |
| Benchmark Bank PLC | 15 | ● Hill Samuel | §15 | Whiteaway Laidlaw | 15½ |
| Brit Bk of Mid East | 15 | C. Hoare & Co. | 15 | Yorkshire Bank | 15 |
| ● Brown Shipley | 15 | Hongkong & Shangh | 15 | | |
| CL Bank Nederland | 15 | ● Leopold Joseph & Sons | 15 | | |
| ● Charterhouse Bank | 15 | Lloyds Bank | 15 | | |
| Citibank NA | 15 | Meghraj Bank Ltd | 15 | | |
| City Merchants Bank | 15 | McDonnell Douglas Bnk. | 15 | | |
| Clydesdale Bank | 15 | Midland Bank | 15 | | |
| Comm. Bk. N. East | 15 | Mount Banking | 15 | | |
| Co-operative Bank | *16 | Nat Bk. of Kuwait | 15 | | |

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sureswise 8.5%, Top Tier-£50,000+ instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

## MONEY MARKETS

# Signal on UK rates

INTEREST rates steadied in London yesterday after the Bank of England sent a signal to the money market indicating that further downward pressure is not welcome. Rates have fallen over the last week, with fixed periods from one to 12 months now quoted under the 15 per cent bank base rate level. Three-month interbank finished at 14⅞-14¾ per cent yesterday, against 14⅞-14⅞ on Tuesday.

**UK clearing bank base lending rate 15 per cent from October 5**

The authorities acted as the downward trend threated to accelerate on speculation involving sterling becoming a full member of the EMS.

A signal was sent when the Bank of England announced that it would not buy bills to relieve yesterday's credit shortage. Instead, the central bank offered to lend money to the discount houses at a rate of 15 per cent, reinforcing the present base rate level.

A credit shortage of £450m was initially forecast, but this was revised to £400m at noon, and to £350m in the afternoon. Help was provided in the afternoon, but the central bank lent only £180m to the market, keeping the short end very tight and leaving operators to scramble for late funds to balance their books. Overnight money touched a peak of 18 per cent in late trading.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £169m, with Exchequer transactions absorbing £120m, a rise in the note circulation £120m, and bank balances below target £45m.

In Paris call money firmed slightly to 9⅝ from 9⅝ per cent, as the Bank of France drained liquidity at yesterday's securities repurchase tender. The central bank left its intervention rate at 9¼ per cent, but drained a net FFr12.2bn at the tender, by accepting bids totalling FFr70.5bn, against an expiring pact of FFr82.7bn. The Bank of France also left its five to 10-day repurchase rate at 10¼ per cent.

In Frankfurt call money was steady at 7.75 per cent. Tax payments are expected to drain liquidity soon, but at present banks continue to built up their reserves at the Bundesbank. For the first 11 days of June these averaged DM65bn, against expectations that the Bundesbank will set an average requirement for the whole month of around DM59bn. At yesterday's Bundesbank council meeting credit policies were left unchanged.

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES

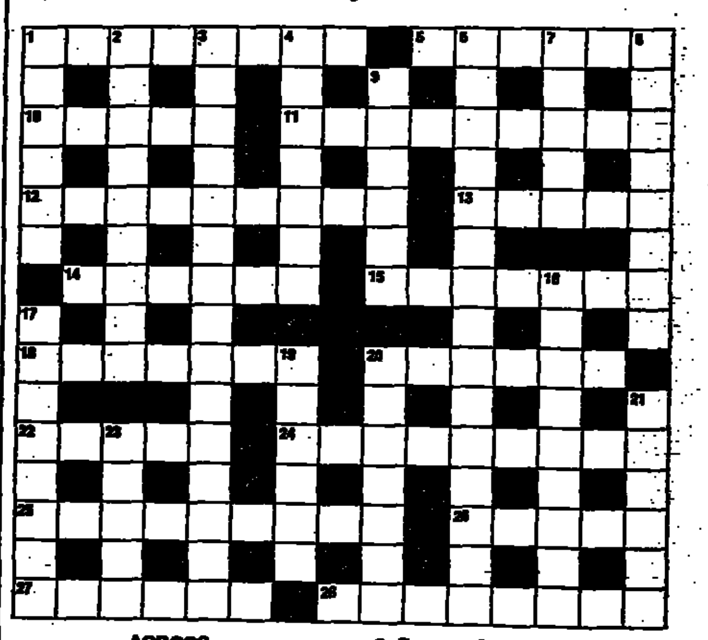


JOTTER PAD



## CROSSWORD

No.7,263 Set by CINEPHILE



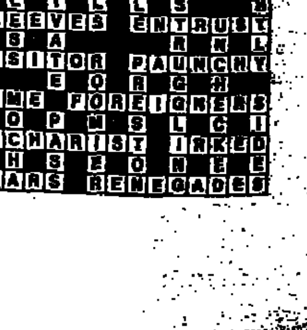
ACROSS

1 Model with silencer in more interesting deed, as it were (8)
5 Reciprocal exclamation on amazement in river (3-3)
10 Authority for central electricity generating returns to the Lizard (5)
11 Blue flower comes round in short time, just a little bit (9)
12 Last post, perhaps, brings glacé fruit eaten by male beast (5,4)
13 Dramatist – Shakespeare's first: among first, Jonson (5)
14 Knock out sixteen pints for little money (6)
15 Regular figure a month ago gets new start (7)
18 Thought to be set in musical grass (7)
20 Piano hire on request (6)
22 Message: am I this friendly? (5)
24 Exhausted by cigarette smoking? (6,3)
25 Advantage for negro who gives one a shine (9)
26 O for a knowledge of wood! (5)
27 Fashionable endeavour to circumvent death? (6)
28 Find unusual surround for unusual radiation (8)

DOWN

1 Zimbabwean face on Lincoln? (6)
2 Musicians of solid type, nearly grown up (4,5)
3 Go round to exploit plant in seed, where the rest used to be best? (5,7,3)
4 Bird to leave dramatist with king (7)
6, 7 Confidential fuss in Whitehall, wrote author (6,5,4,5)
8 Intense desire for what many earn in Germany (8)
9 Some risk to voice in Venice (6)
16 Good start for one who asks about Bill's partner in the kitchen (3,6)
17 Person who helps flier with blunt criticism (8)
19 Meet the expenses of French battle (6)
20 Police (rudely) like American football (7)
21 Drugged, killed by projectiles or .... (6)
23 .... damaged and without resources (5)

Solution to Puzzle No.7,262



# WORLD STOCK MARKETS

## CANADA

TORONTO

*2pm prices June 13*

## INDICES

### NEW YORK

| DOW JONES | June 12 | June 11 | June 8 | June 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2933.42 | 2892.57 | 2862.38 | 2897.33 | 2935.19 (4/6) | 2543.24 (30/1) | 2935.19 (4/6/90) | 41.22 (2/7/32) |
| Home Bonds | 90.81 | 90.72 | 90.85 | 90.92 | 93.04 (3/1) | 88.48 (2/5) | — | — |
| Transport | 1208.76 | 1202.01 | 1201.28 | 1208.58 | 1212.77 (6/6) | 1031.83 (30/1) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 215.04 | 213.22 | 212.46 | 213.91 | 236.23 (2/1) | 203.09 (30/4) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2947.52 (2901.98) Low 2877.97 (2852.97)

### STANDARD AND POOR'S

| | June 12 | June 11 | June 8 | June 7 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 366.25 | 361.63 | 358.71 | 363.15 | 367.40 (4/6) | 322.98 (30/1) | 367.40 (4/6/90) | 4.40 (1/6/32) |
| Industrials | 427.42 | 421.32 | 417.53 | 422.83 | 428.34 (4/6) | 371.92 (30/1) | 428.34 (4/6/90) | 3.62 (21/6/32) |
| Financial | 30.75 | 30.61 | 30.48 | 30.96 | 31.87 (3/1) | 26.59 (27/4) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 199.66 | 197.42 | 196.05 | 198.21 | 200.21 (4/6) | 178.43 (30/1) | 200.21 (4/6/90) | 4.46 (25/4/42) |
| Amer Mkt. Value | 364.31 | 362.32 | 361.17 | 363.57 | 382.45 (5/1) | 342.64 (24/4) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 466.56 | 462.79 | 460.87 | 464.09 | 466.56 (12/6) | 410.72 (30/1) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | June 8 | May 25 | May 18 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.71 | 4.01 | 3.99 | 3.52 |

| | June 6 | May 30 | May 23 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.91 | 2.95 | 2.94 | 3.18 |
| S & P Indl. P/E ratio | 17.01 | 16.89 | 16.08 | 12.79 |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Advanced Micro | 2,235,500 | 9⅝ | + ⅛ |
| West Elect | 2,157,700 | 37⅞ | + ⅜ |
| Boeing | 2,150,500 | 58⅞ | + ⅛ |
| Wendy's Intl | 1,962,400 | 6⅛ | + ⅝ |
| Baxter Intl | 1,628,100 | 24⅞ | + ¾ |
| Am Express | 1,564,500 | 30⅛ | - ¼ |
| Pac Gas & Elect | 1,524,600 | 22⅞ | ... |
| Philip Morris | 1,439,300 | 45 | + ⅜ |
| IBM | 1,376,200 | 120¼ | + ⅝ |
| Gen Electric | 1,359,400 | 70⅛ | + 1⅛ |

### TRADING ACTIVITY

| † Volume Millions | June 12 | June 11 | June 8 |
|---|---|---|---|
| New York | 157,100 | 119.550 | 142.600 |
| Amer | 10.858 | 8.120 | 9.314 |
| NASDAQ | 163.292 | 132.219 | 137.901 |
| Issues Traded | 2,003 | 1,985 | 1,974 |
| Rises | 988 | 932 | 457 |
| Falls | 541 | 561 | 1,004 |
| Unchanged | 474 | 492 | 513 |
| New Highs | 40 | 21 | 21 |
| New Lows | 31 | 33 | 14 |

### CANADA

| TORONTO | June 12 | June 11 | June 8 | June 7 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3243.40 | 3201.90 | 3197.80 | 3236.00 | 3453.05 (4/1) | 2850.80 (23/4) |
| Composite | 3607.70 | 3578.70 | 3571.40 | 3604.64 | 4009.47 (3/1) | 3334.20 (1/5) |
| MONTREAL Portfolio | 1875.24 | 1855.23 | 1849.34 | 1873.67 | 2060.90 (3/1) | 1720.25 (27/4) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | June 13 | June 12 | June 11 | June 8 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1510 b | 1501.5 | (c) | 1504.1 | 1713.7 (12/1) | 1494.5 (30/4) |
| All Mining (1/1/80) | 731.4 | 723.7 | (c) | 728.5 | 868.8 (5/1) | 715.3 (1/5) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 571.13 | 572.39 | 576.44 | 581.16 | 703.29 (19/3) | 526.59 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (Cash Mkt) (1/1/80) | 6305.45 | 6328.53 | 6313.26 | 6375.70 | 6599.43 (12/1) | 5568.16 (26/2) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 380.16 | 377.65 | 375.33 | 376.55 | 380.47 (28/3) | 352.96 (25/4) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 570.4 | 572.6 | 572.5 | 576.3 | 677.3 (23/1) | 562.2 (11/5) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 542.86 | 540.62 | 539.59 | 548.71 | 564.62 (30/3) | 482.94 (26/2) |
| CAC 40 (31/12/87) | 2025.59 | 2005.82 | 2002.38 | 2021.41 | 2129.32 (20/4) | 1800.32 (26/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 760.19 | 770.23 | 768.38 | 775.49 | 830.92 (3/4) | 732.71 (24/1) |
| Commerzbank (1/12/53) | 2190.0 | 2220.2 | 2215.1 | 2238.9 | 2414.0 (3/4) | 2151.5 (24/1) |
| DAX (30/12/87) | 1787.39 | 1800.36 | 1809.66 | 1822.23 | 1968.55 (30/3) | 1756.41 (24/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3185.14 | 3203.00 | 3154.99 | 3174.33 | 3203.00 (12/6) | 2738.24 (1/2) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1724.51 | 1716.25 | 1706.89 | 1706.65 | 1893.10 (22/1) | 1582.61 (2/5) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 754.49 | 754.62 | 750.93 | 751.99 | 754.62 (12/6) | 646.73 (26/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 32371.77 | 32322.31 | 32540.18 | 32993.29 | 38712.88 (4/1) | 28002.07 (2/4) |
| Tokyo SE (Topix) (4/1/68) | 2378.41 | 2380.56 | 2393.81 | 2411.78 | 2867.70 (4/1) | 2059.82 (5/4) |
| 2nd Section (4/1/68) | 4086.12 | 4064.80 | 4056.95 | 4069.07 | 4284.68 (9/2) | 3313.92 (5/4) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 579.36 | 581.59 | 585.10 | 588.09 | 622.20 (20/2) | 518.53 (2/5) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 267.4 | 265.7 | 264.7 | 266.4 | 269.0 (3/1) | 240.1 (26/2) |
| CBS All Shr (End 1983) | 199.2 | 198.0 | 197.3 | 198.6 | 206.3 (3/1) | 184.2 (26/2) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 838.41 | 839.52 | 837.16 | 845.09 | 859.05 (5/6) | 701.67 (2/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 855.76 | (c) | 802.74 | 772.15 | 1160.70 (21/3) | 740.31 (6/6) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 433.55 | 435.08 | 437.99 | 438.46 | 443.34 (6/2) | 401.34 (30/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1464.0♣ | 1507.0 | 1502.0 | 1459.0 | 2230.0 (16/1) | 1461.0 (8/6) |
| JSE Industrial (28/9/78) | 3115.0♣ | 3149.0 | 2987.0 | 2991.0 | 3211.0 (6/2) | 2794.0 (25/4) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 780.56 | 784.97 | 786.35 | 803.63 | 928.82 (4/1) | 688.66 (30/4) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 286.16 | 286.28 | 285.39 | 284.59 | 302.85 (4/1) | 248.17 (2/4) |
| **SWEDEN** | | | | | | |
| Affärsvärlden Gen. (1/2/37) | 1274.7 | 1275.3 | 1270.80 | 1275.80 | 1317.80 (12/1) | 1127.20 (2/4) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 819.1 | 816.8 | 810.1 | 816.6 | 825.1 (5/6) | 737.6 (27/3) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 6523.32 | 6323.22 | 5933.74 | 6454.12 | 12495.34 (10/2) | 5933.74 (11/6) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 994.62 | 1016.66 | 991.27 | 1033.92 | 1033.92 (8/6) | 760.39 (7/2) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 520.4 | 517.5 | 519.7 | 571.0 (4/1) | 468.3 (2/4) |

**Saturday June 9: Taiwan Weighted Price: 6098.16. Korea Comp Ex. 799.12

♣ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Wednesday June 13 1990

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Sharp | 24.6m | 1,880 | +60 |
| Nippon Steel | 10.7m | 600 | +11 |
| NKK | 10.0m | 668 | +18 |
| MHI | 9.3m | 1,050 | +10 |
| Toshiba | 7.8m | 1,110 | +10 |
| Hitachi | 6.2m | 1,540 | +10 |
| Mitsui Eng&Shp | 5.8m | 977 | +8 |
| Nippon Mining | 5.3m | 1,030 | -20 |
| Clarion | 4.8m | 1,210 | +30 |
| Juki | 4.8m | 1,570 | 0 |

3pm prices June.13

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 37½ | 18½ | AAR | .48 | 2.4 | 12 | 643 | 20 | 19⅝ | 19⅝ | – ⅛ |
| 8¾ | 8 | ACM n | 1.01 | 12. | | 147 | 8⅝ | 8⅜ | 8⅜ | – ⅛ |
| 11⅝ | 8⅞ | ACMIn | 1.26 | 12. | | 995 | 10¼ | 10 | 10⅛ | + ⅛ |
| 9⅞ | 7⅛ | ACM M | n1.01 | 13. | | 289 | 7¾ | 7⅝ | 7¾ | + ⅛ |
| 12⅛ | 10 | ACMMM | | | | 58 | 10⅞ | 10¾ | 10¾ | – ⅛ |
| 11½ | 9⅝ | ACM Sc | 1.26 | 13. | | 495 | 10 | 9⅞ | 9⅞ | |
| 9½ | 8¼ | ACMSp | 1.01 | 12. | | 298 | 8⅝ | 8⅜ | 8⅝ | + ⅛ |
| 24⅝ | 14⅞ | AL Lab | .16 | .7 | 21 | 147 | 23¼ | 23⅛ | 23¼ | |
| 5⅜ | 2⅛ | AM Intl | | | | 875 | 2⅝ | 2½ | 2⅝ | + ⅛ |
| 23⅛ | 10¼ | AM In pf | 2 | 16. | | 23 | 12⅜ | 12⅛ | 12⅜ | |
| 107¼ | 62½ | AMR | | | 13 | 2282 | 68⅝ | 67⅞ | 68⅛ | – ⅛ |
| 26½ | 25 | ANR pf | 2.67 | 11. | | 4 | 25⅛ | 25⅛ | 25⅛ | – ½ |
| 4⅜ | 3 | ARX | | | | 2 | 3⅜ | 3⅜ | 3⅜ | |
| 72¼ | 40⅛ | ASA | 3a | 6.7 | | 1038 | 44⅞ | 43½ | 44½ | – ⅝ |
| 39¼ | 27⅞ | AbtLab | s.84 | 2.2 | 19 | 8695 | 39⅛ | 38⅛ | 38⅝ | – ⅞ |
| 16⅜ | 11⅛ | Abitibi g | .50 | | | 314 | 13⅛ | 13⅛ | 13⅛ | + ⅛ |
| 13 | 8½ | AcmeC | .40 | 4.4 | 11 | 19 | 9 | 8⅞ | 9 | |
| 9¾ | 7⅝ | AcmeE | .32 | 3.6 | 11 | 16 | 9⅛ | 8⅞ | 9 | + ⅛ |
| 41⅞ | 28⅜ | Aeusn | | | 22 | 712 | 38⅝ | 37⅞ | 38 | – ⅝ |
| 16½ | 13⅜ | AdaEx | 2.08e | 13. | | 64 | 16½ | 16⅜ | 16⅜ | |
| 16⅝ | 9½ | Adobe | | | | 23 | 12⅛ | 12⅛ | 12⅛ | + ⅛ |
| 20¼ | 17⅝ | Adob pf | 1.84 | 9.4 | | 20 | 19½ | 19½ | 19½ | |
| 21⅝ | 20⅛ | Adob pf | 2.40 | 12. | | 18 | 20⅝ | 20½ | 20⅝ | + ⅛ |
| 11⅝ | 6⅞ | AMD | | | 21 | 6944 | 10 | 9⅝ | 9⅞ | |
| 34⅝ | 28¼ | AMD pf | 3 | 9.4 | | 16 | 31⅞ | 31⅝ | 31⅞ | + ⅛ |
| 10⅛ | 4⅛ | Advest | .16 | 3.4 | 59 | 84 | 4⅝ | 4⅝ | 4⅝ | + ⅛ |
| 62½ | 45¼ | AetnLf | 2.76 | 5.2 | 9 | 611 | 53⅛ | 52⅞ | 53 | – ⅛ |
| 14 | 9¼ | AflPb | .24 | 2.3 | | 175 | 10⅝ | 10⅛ | 10⅝ | |
| 25 | 16⅛ | Ahmans | .88 | 4.0 | 10 | 1128 | 22⅛ | 21⅝ | 21⅞ | – ½ |

Continued on Page 39

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 44⅞ | 34 | RhP pfC | | | | 14 | 41 | 41 | 41 | +2⅛ |
| 19 | 14⅜ | RhP pfA | | | | 286 | 17⅛ | 17⅛ | 17⅛ | -⅛ |
| 3½ | 1⅞ | RhP wt | | | | 2 | 2⅝ | 2⅝ | 2⅝ | +⅛ |
| 22 | 18½ | RhP pf | | | | 383 | 19⅜ | 19⅜ | 19½ | |
| 41⅛ | 29½ | RiteAid | .90 | 2.7 | 14 | 800 | 34 | 33⅝ | 33⅞ | +⅛ |
| 11-32 | 1-16 | RvrOak | | | | 306 | 5-64 | 1-16 | 5-64 | +1-64 |
| 19¼ | 14½ | Robrtfl | | | 14 | 74 | 15¾ | 15¾ | 15¾ | |
| 14⅞ | 9⅝ | Robtsn | | | 30 | 401 | 12⅜ | 11⅞ | 12¼ | +⅜ |
| 22⅞ | 17½ | RochG | 1.56 | 8.1 | 10 | 161 | 19½ | 19¼ | 19¼ | -⅛ |
| 45⅝ | 29⅜ | RochTl | s1.48 | 4.3 | 18 | 87 | 34 | 33¾ | 34 | +¼ |
| 22⅞ | 18¼ | RolxCtr | 1.88 | 10 | 17 | 214 | 18½ | 18⅜ | 18⅜ | -⅛ |
| 27⅞ | 19¼ | Rockwl | .78 | 2.8 | 11 | 2182 | 27⅞ | 27½ | 27⅞ | +⅛ |
| 7⅝ | 5 | RodRen | | | | 2 | 6⅝ | 6⅝ | 6⅝ | -⅛ |
| 37½ | 26⅞ | RoHaas | 1.20 | 3.5 | 13 | 286 | 34⅝ | 34⅛ | 34½ | +⅛ |
| 33⅝ | 16½ | Rohr | | | 319 | 361 | 25⅞ | 25⅛ | 25½ | -½ |
| 14⅞ | 9⅝ | RollinE | .08 | .6 | | 2730 | 14⅜ | 14 | 14¼ | +⅜ |
| 21 | 15⅞ | Rollins | .56 | 2.9 | 19 | 41 | 19⅞ | 19 | 19⅞ | +⅝ |
| 9⅛ | 7⅛ | RolLease | .20 | 2.3 | 10 | 45 | 9⅛ | 8⅞ | 8⅞ | +⅛ |
| 70⅝ | 35⅛ | Rorer | .84 | 1.2 | 33 | 1085 | 70½ | 70 | 70½ | |
| 14⅛ | 7⅞ | Rowan | | | | 2800 | 12⅞ | 12⅛ | 12⅞ | +⅛ |
| 25⅛ | 21⅛ | RSSct pf2.24e | | 9.7 | | 44 | 23 | 22⅝ | 23 | +⅛ |
| 78⅛ | 60⅛ | RoylD | 3.85e | 5.1 | 6 | 5719 | 75⅝ | 75 | 75⅛ | +⅜ |
| 15¾ | 8½ | Roylnt | .20a | 1.9 | 14 | 23 | 10⅜ | 10⅜ | 10⅜ | |
| 10 | 8½ | Royce | .52e | 5.4 | | 113 | 9⅛ | 9½ | 9⅝ | |
| 41⅛ | 29⅝ | Rubmd | .52 | 1.3 | 25 | 828 | 41 | 40½ | 40⅞ | |
| 16⅞ | 13⅛ | RussBr | .40 | 2.5 | 16 | 94 | 16⅛ | 15½ | 16⅛ | +⅛ |
| 15 | 7⅞ | RussTg | .20 | 2.0 | | 41 | 10⅛ | 10 | 10⅛ | +⅛ |
| 27⅛ | 20 | Russell | .32 | 1.3 | 16 | 662 | 25⅛ | 25⅛ | 25⅛ | -⅜ |
| 31⅛ | 17⅞ | Ryder | .60 | 2.6 | 68 | 3444 | 23 | 22⅝ | 23 | |
| 29½ | 15¼ | Rykoff | .60 | 3.5 | 14 | 124 | 17¾ | 16⅜ | 17⅜ | +⅜ |
| 25⅝ | 18⅛ | Ryland | .60 | 3.0 | 6 | 33 | 20½ | 20¼ | 20¼ | -½ |
| 14⅛ | 6⅛ | Rymer | | | | 21 | 6⅞ | 6¾ | 6⅞ | -⅛ |

[illegible]

# AMEX COMPOSITE PRICES

3pm prices June.13

[illegible]

# NASDAQ NATIONAL MARKET

3pm prices June.13

[illegible]

AMERICA

# Weak retail sales support Dow

## Wall Street

AN EARLY bout of profit-taking after two days of strong gains took the equity market modestly lower during the morning, but most of these losses had been recouped by midsession as the Treasury bond market rallied on a set of weak May retail sales figures, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 1.48 higher at 2,934.90 on moderate volume of 99m shares. The Dow had closed 40.85 higher on Tuesday at 2,933.42, within a whisker of its record high of 2,935.19 set on June 4.

The Dow had been quoted 10 points lower during the morning session. Most other key indices were quoted marginally lower at midsession with the Standard & Poor's 500 down 0.57 at 365.68 but over-the-counter stocks rallied on buying of technology and insurance stocks.

At midsession, the Nasdaq Composite index was quoted 1.98 points higher at 468.54.

The reaction of the stock market to yesterday's 0.7 per cent fall in May retail sales was ambiguous. Some investors were encouraged by hopes that this further evidence of weakness in the economy would persuade the US Federal Reserve to lower interest rates to head off a recession.

The Commerce Department's downward revisions to its sales data for March and April left the whole series weaker than had been thought and gave three successive months of declining sales for the first time since late 1981, just before the last recession.

The rally in the bond market appeared to help the equity market recover from its morning lows but was not enough, by midsession, to boost stocks strongly. One reason for caution yesterday was that financial markets are waiting for the release of May producer prices figures today and May consumer prices figures tomorrow. Any move to lower interest rates by the Fed would have to take into account inflationary pressures.

On the over-the-counter market, insurance stocks particularly benefited from speculation about lower interest rates. Cincinnati Financial rose $¾ to $84¼. Among technology issues, Intel gained $⅛ to $48 and Sun Microsystems added $¾ to $33¾.

On the New York Stock Exchange, American Express was featured, climbing $⅞ to $31¼ as losses overnight in Europe were reversed. American Express announced earlier this week that it was seeking to raise $325m through an offering of 27m common shares.

Woolworth fell $⅝ to $33⅞ after the company revised upwards its planned cash capital spending for the current fiscal year by $40m, reflecting expanded plans to open new stores.

Black & Decker gained $¾ to $16 after its chairman and three other company insiders purchased stock in April and May, according to filings with the Securities and Exchange Commission.

MNC Financial dropped $1 to $15½ after the company said that continuing softness in real estate markets in which it has significant loans outstanding would have an adverse effect on its second quarter results.

Shares of Californian savings and loans suffered after HomeFed Bank reported that non-performing assets rose $81m in May to $579m. HomeFed Corp, its parent, slumped $7¾ to $25½. Golden West Financial fell $1 to $32¼ and Great Western Financial dropped $⅞ to $19⅝.

## Canada

LACKLUSTRE gold shares pulled Toronto stocks down at midday, after bullion prices dropped to $350. Most other sectors were mixed or only slightly changed. The composite index gained 8.8 to 3,598.9 on volume of 11.55m shares. Declines led advances 232 to 188.

Among gold stocks, American Barrick fell C$⅛ to C$19⅝, Lac Minerals lost C$¼ to C$10¾, Hemlo Gold dropped C$½ to C$12¼ and Teck Corp slipped C$½ to C$23⅛.

Stikine Resources surged C$3½ to C$67 after Placer Dome said it would continue with its bid of C$67.50 cash per share. Corona Corp has made a share swap offer for Stikine. Placer Dome dropped C$⅜ to C$7¼ while Corona fell C$⅜ to C$7¼.

Shares of GW Utilities jumped C$1¼ to C$35¼ after Olympia and York said it would offer C$40 per share instead of C$35 for all outstanding GW common shares.

# War on the wealthy upsets Paris

**George Graham** explains why the bourse is near its low for the year

WITH BARELY a sigh, Paris's CAC 40 index slipped below 2,000 during trading this week, taking it back to the same point from which it started the year.

After a euphoric April, when France left behind the rest of the world's leading stock markets with an 11 per cent rise in the April settlement month, May saw some moments of anxiety, although it ended with an advance. This month, however, has brought a steady slide.

French stockbrokers put the blame squarely on the shoulders of President François Mitterrand, who, in a widely reported speech at Auxerre at the end of last month, declared open season on the wealthy. He attacked those who "make money while they sleep," a remark which many stockbrokers, in a curious guilt reflex, took to be aimed at them.

Socialist backbenchers took the President's hint, and began to press the Government for more social redistribution of wealth and less economic rigour. Mr François Hollande, MP for the Corrèze, took the theme further with a report that was widely commented on but little read, calling for much stiffer capital gains tax, offset by higher inheritance tax thresholds.

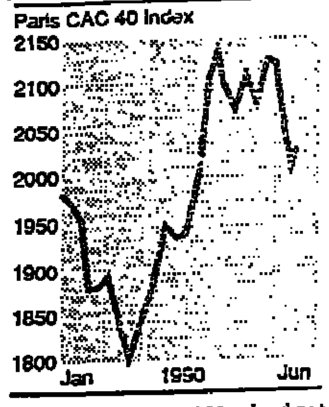
With the French franc dropping to the bottom of the EMS exchange rate mechanism, investors began to worry whether Mr Pierre Bérégovoy, their favourite socialist finance minister, was out of favour.

This political background may have provided a catalyst for the market's decline, but it does not adequately account for the market's current condition. For although the franc has dropped to its lower limit against the Italian lira, it is still strong against the D-Mark. And although the Government of Mr Michel Rocard has not been going through one of its strongest periods, it is still far from handing in its cards.

"The Socialist head remains firmly in control of the Socialist heart," comments UBS Phillips & Drew, the London brokers.

In fact, on Tuesday the Government reaffirmed its commitment to budgetary rigour in a report on the economy delivered to the Senate. Mr Rocard told his ministers not to be so greedy and sent them back to revise their 1991 budget demands downwards.

**France**




None of this has modified the market's lack of enthusiasm, but the decline looks more reasonable in the light of April's possibly excessive enthusiasm.

Some analysts believe the strong performance of the CAC 40 index, which outdid both the broader SBF240 and the second market indices, reflected the influx of less sophisticated foreign investors in April, who bought big-name French stocks because they were frightened to buy in Japan, West Germany or the UK. Once the CAC 40 peaked at 2,129.32 on April 20, representing a price/earnings ratio of more than 11, these investors had little reason to stay in the market.

Earnings forecasts have also been less enthusiastic in recent weeks, and fears have begun to spread about the effect of the appreciation of the franc on some exporting companies. The impact will be more on sales than on profits in many cases, such as LVMH, but the drinks and luggage group is still forecasting an earnings increase limited to 15 per cent, less than half what it would have achieved at constant exchange rates.

All the same, the economic fundamentals for France remain good, with inflation still under control and interest rates high in real terms.

"Though earnings momentum is slowing, it is not going to go dead," comments Mr David Jones of brokers Bacot Allain. "Over the year as a whole, the return for someone buying the index is going to be satisfactory, though not as good as the fundamentals might have suggested."

ASIA PACIFIC

# Nikkei ends higher after early fall on profit-taking

A LACK of fresh incentives kept activity slow yesterday and left share prices vulnerable to profit-taking. But late arbitrage buying took the Nikkei average moderately higher at the close, *writes Michiyo Nakamoto in Tokyo.*

An energetic start, with the Nikkei up 120 points just after the opening, quickly petered out as investors opted to take profits. The index then remained lower until late afternoon, when buying in arbitrage with futures helped the Nikkei close with a gain of 49.44 to 32,371.77.

There was talk that leading brokers had been buying on the futures market to widen the gap between the futures and the cash index and create an opportunity for arbitrageurs to buy on the cash market.

During the day, the Nikkei index moved between a high of 32,466.04 and a low of 32,190.52. Declines led advances by 522 to 402 and 202 issues were unchanged. Turnover slipped to 450m shares from the already sluggish 500m on Tuesday.

The Topix index of all listed stocks lost 2.15 to 2,378.41, but in London the ISE/Nikkei 50 index rose 2.59 to 1,778.37.

Investors' cautiousness, in the light of the current high interest rates, increased as the yen fell to its lowest level against the dollar for a month. Since the Nikkei index neared its half-way recovery stage last week – between its peak last December and low in April – there has been a strong feeling that it will not rise much higher, said Mr Hiroshi Taguchi at Nomura Securities.

In this uncertain atmosphere, investors focused their attention on issues with good earnings potential, such as shipbuilders, which have been enjoying strong order books.

Electrical stocks were in demand after the research arm of a leading Japanese broker highlighted the encouraging growth prospects for liquid crystal display (LCD) and mobile communications. Sharp shot to the top of the volume list with 24.6m shares and closed up Y60 at Y1,880.

Murata Manufacturing, a large manufacturer of machinery parts, including parts for mobile communication systems, rose Y70 to a new high for the year of Y3,120 before slipping back to close Y10 higher at Y3,060.

Steels, which had been neglected for a while, also featured. Nippon Steel was second most actively traded with 10.7m shares and rose Y11 to Y600. NKK followed with 10m shares and a rise of Y18 to Y668. Mitsubishi Heavy Industries was also actively traded and advanced Y10 to Y1,050.

Investors in Osaka neglected large capital issues in favour of incentive-backed issues and exporters. The OSE average lost 32.54 to 35,356.24 on volume of 52m shares, up from 49m on Tuesday.

## Roundup

BANKING STOCKS enlivened Australia yesterday, and Manila rose sharply on relief that a further coup attempt had failed to materialise.

**AUSTRALIA** focused on the banking sector, as most shares ended higher but below their day's peaks. Early gains had come in the wake of Wall Street's overnight advance.

The All Ordinaries index rose 9.0 to 1,510.6 in volume of 97m shares valued at A$262m, up from 80m and A$175m on Tuesday. Of that total, 13.34m shares and A$86.91m were accounted for by National Australia Bank, which goes ex dividend on Monday. The stock ended unchanged at A$6.50.

Westpac withstood the news that Australian Ratings, the Standard & Poor's subsidiary, had downgraded the bank's long-term debt rating, ending steady at A$4.60. ANZ gained 11 cents to A$4.73.

**MANILA** re-opened on a firm footing on relief that a coup attempt, rumoured to take place during on Tuesday's Independence Day celebrations, did not happen.

The composite index jumped 53.02 or 6.6 per cent to 855.76. Turnover rose to 329m shares or 126m pesos from 311m shares or 97m pesos on Monday.

**TAIWAN** was hit by profit-taking at the start, but ended higher on last-minute buying. The weighted index rose 200.1 to 6,523.32 after touching a low of 6,281.86. Paper, bank and cement stocks registered sharp gains, rising more than 4 per cent. Volume rose to NT$91.9bn from NT$74.7bn on Tuesday.

**NEW ZEALAND** lost early gains as commercial banks started to raise their lending rates following the recent tightening in monetary conditions by the central bank. The Barclays index fell 3.92 to 1,771.98. Turnover was a moderate 7m shares or NZ$15.5m, up from 6.5m or NZ$12m.

**BANGKOK** gave up strong early gains as investors took profits across the board. The composite SET Index fell 22.04 to 994.62.

**HONG KONG** met profit-taking after Tuesday's rally, and the Hang Seng index eased 17.86 to 3,185.14 after reaching a day's high of 3,226. Turnover shrank to HK$2.06bn from HK$2.28bn.

**SINGAPORE** declined in quiet, cautious trading after Tokyo's early fall. The Straits Times Industrial index lost 5.75 to 1,535.09 in volume of 47m shares, down from 53m on Tuesday. **KUALA LUMPUR** also fell amid an absence of follow-through buying, after making a firm start. The composite index lost 2.23 to 579.36, after reaching a day's high of 582.47. Turnover was 26m shares compared with Tuesday's 25m. Special situations and low-priced stocks again led the actives list.

**SEOUL** fell for the fourth consecutive session on continued concern about the Government's squeeze on money supply. The composite index eased 4.41 to 780.56 in thin volume.

**BOMBAY** fell in active trading for the second day in a row, with the BSE index down 5.70 at 781.66.

## SOUTH AFRICA

**GOLD SHARES closed at their day's lows in thin trading as the bullion price slid towards $350. Loraine fell R1.50 to R7.40 on news that it planned to sack 600 workers and cut milled tonnage by 10 per cent over the next four months.**

EUROPE

# Frankfurt's DAX index falls through 1,800

WEST GERMANY continued to drop yesterday, falling through a widely-watched chart resistance point, while Paris advanced, but with little conviction, *writes Our Markets Staff.*

**FRANKFURT** grew more depressed about its short-term outlook as further signs of the difficulties of revitalising East Germany's rundown economy became apparent. Economists forecast that between 1m and 4m East German workers out of a total workforce of 10m would be made redundant as companies close and labour costs are scaled back.

The DAX index was unable to hold above the important 1,800 support level and fell 12.91 to 1,787.45. It had slipped as low as 1,777.66 early in the session. The FAZ index, calculated at midsession, fell 10.04 to 760.19 and volume doubled to DM10.7bn from DM5.3bn. Frankfurt, Munich and Düsseldorf bourses are closed today for a religious holiday.

Hoechst was the first of the big three chemical companies to go ex a dividend of DM13. It fell DM21.20 to DM264.80 with 1.2m shares traded. On Tuesday Hoechst indicated that profit this year might slip as much as 10 per cent from its 1989 record high. Bayer, the most active stock with 7.6m shares traded, dropped DM7.50 to DM294 and BASF eased DM4 to DM290.50.

Schering fell DM12.50 to DM787 after Mr Giuseppe Vita, its chairman, told shareholders that the company's 1990 net profit would remain around the 1989 level, reversing a statement earlier this month that profits could rise by about 5 per cent.

Among the few winners was retailer Karstadt, which jumped DM10 to DM655. Tyre manufacturer Continental, which was the second most active stock with a heavy 5.28m shares traded, rose DM3.80 to DM312.

**PARIS** managed to close 1 per cent higher yesterday, as the CAC 40 index rose 19.77 to 2,025.59, but there was little excitement in the market. Turnover was estimated at FFr3bn, boosted by a 1m-share block of CGE, traded at FFr622 in the morning before the stock closed FFr10 up at FFr625, and by activity in Elf Aquitaine.

Elf continued to recover from the previous day's FFr23 fall, which had followed speculation that the oil group would face heavy costs from the spillage in the Gulf of Mexico. The stock had started to rebound on Tuesday, closing at FFr653 after the company said that only the shipper was liable, and added another FFr6 yesterday to FFr659. A total of 328,400 shares changed hands.

Schneider fell FFr11 to FFr1,048, recovering from a day's low of FFr1,015, after the electrical engineering group announced a FFr2.6bn convertible bond.

Générale des Eaux gained FFr76 to FFr2,630, and Pechiney International gained FFr5.80 to FFr152 on bargain-hunting.

**MILAN** ended the June trading account generally easier in heavy trading as many operators took profits following the sharp gains earlier this month. But continued demand for insurance stocks, and a good show from Generali in particular, reassured many participants that the market's strength was likely to continue in the new account, which starts today. The Comit index fell 0.13 to 754.49.

Mr Carlo de Benedetti's group was hit hard across the board, with the holding companies Cir and Cofide and computer maker Olivetti all losing ground, following news that talks with Philips, the Dutch electronics company, had ended without an agreement. Cir shed L40 to L5,650, Cofide fell L149 to L4,751 and Olivetti sagged L215 to L6,870.

Fiat fell L45 at the official close to L10,410 and then slipped to L10,360 after hours. Ifil added L125 to L8,300 after Tuesday's comments by Mr Umberto Agnelli, company chairman, that the company would use its L200bn cash position to make more acquisitions in the food sector. Generali rose L30 to L44,420 and Stet continued to climb, closing L28 better at L6,780.

**AMSTERDAM** focused on the publishing sector in an extremely quiet session. The CBS Tendency index fell 0.1 to 120.7. Elsevier, up Fl 1.10 at Fl 91.10, announced that it planned to sell its 33 per cent stake in Wolters Kluwer, which lost Fl 1.70 to Fl 52.

Philips was 10 cents better at Fl 33.60 after news that it would not forge closer links with Olivetti of Italy. National airline KLM was 20 cents lower after announcing a steady dividend of Fl 1.80 for the 1989/90 year.

**STOCKHOLM** ended mixed after a fresh round of profit-taking in some of the blue chips. The Affärsvärlden General index slipped 1.2 to 1,274.1 in turnover of SKr349m.

One of the biggest losers was Ericsson, which saw its free B shares fall SKr13 to SKr1,275. Forestry group Stora slipped SKr8 to SKr217 after confirming that it had backed out of its planned joint purchase of French paper manufacturer Chapelle-Darblay and following its announcement late on Tuesday that pre-tax profit had fallen 22 per cent in the first four months.

**MADRID** slipped after the previous day's modest gains which had followed Tuesday's encouraging news on inflation in May. Analysts said that the news had already been discounted. The general index eased 0.12 to 286.16, recovering slightly from its level at the end of the open outcry session, when it stood at 285.66.

**ZURICH** finished higher but profit-taking reduced gains. The Crédit Suisse index edged up 2.2 to 638.8. The bourse's opening strength reflected Wall Street's strong close the previous day.

In the chemical sector, Roche certificates were SFr30 firmer at SFr4,180.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY JUNE 12 1990 | | | | | | | | MONDAY JUNE 11 1990 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990 High | 1990 Low | Year ago (approx) |
| Australia (80) | 137.54 | −0.1 | 119.74 | 134.28 | 120.99 | 118.19 | −0.3 | 5.90 | 137.64 | 121.04 | 134.38 | 121.05 | 118.55 | 158.31 | 125.85 | 130.21 |
| Austria (19) | 243.98 | −0.7 | 212.40 | 238.20 | 214.62 | 214.48 | −0.8 | 1.26 | 245.66 | 216.02 | 239.84 | 216.04 | 216.13 | 285.63 | 193.15 | 119.29 |
| Belgium (61) | 151.09 | +0.4 | 131.53 | 147.50 | 132.91 | 129.48 | +0.2 | 4.45 | 150.56 | 132.40 | 146.98 | 132.40 | 129.21 | 160.02 | 132.11 | 126.54 |
| Canada (119) | 139.65 | +0.8 | 121.58 | 136.34 | 122.84 | 118.52 | +0.8 | 3.44 | 138.61 | 121.89 | 135.32 | 121.89 | 117.53 | 153.61 | 130.37 | 140.81 |
| Denmark (33) | 255.36 | +0.6 | 222.31 | 249.31 | 224.63 | 223.67 | +0.6 | 1.29 | 253.78 | 223.17 | 247.77 | 223.18 | 222.29 | 280.82 | 236.69 | 184.07 |
| Finland (26) | 136.52 | +0.5 | 118.85 | 133.29 | 120.09 | 113.76 | +0.3 | 2.41 | 135.90 | 119.50 | 132.69 | 119.51 | 113.43 | 152.29 | 129.99 | 139.76 |
| France (125) | 157.09 | +0.1 | 136.76 | 153.36 | 138.18 | 140.34 | +0.1 | 2.93 | 156.97 | 138.03 | 153.24 | 138.02 | 140.16 | 168.85 | 141.69 | 116.21 |
| West Germany (93) | 127.03 | +0.2 | 110.59 | 124.03 | 111.74 | 111.74 | +0.2 | 2.00 | 126.83 | 111.53 | 123.84 | 111.53 | 111.53 | 137.71 | 122.05 | 83.32 |
| Hong Kong (48) | 132.47 | +1.8 | 115.33 | 129.33 | 116.53 | 132.38 | +1.8 | 4.74 | 130.18 | 114.48 | 127.10 | 114.49 | 130.06 | 132.47 | 112.24 | 98.30 |
| Ireland (17) | 188.39 | +0.6 | 164.01 | 183.93 | 165.72 | 167.48 | +0.5 | 2.62 | 187.31 | 164.71 | 182.87 | 164.72 | 166.56 | 198.57 | 172.72 | 128.97 |
| Italy (96) | 107.62 | +0.6 | 93.69 | 105.07 | 94.67 | 99.87 | +0.6 | 2.37 | 106.98 | 94.08 | 104.44 | 94.08 | 99.29 | 107.62 | 91.85 | 79.78 |
| Japan (454) | 148.29 | −0.7 | 129.09 | 144.77 | 130.46 | 144.77 | −0.7 | 0.58 | 149.26 | 131.26 | 145.73 | 131.28 | 145.73 | 197.26 | 124.40 | 166.28 |
| Malaysia (35) | 231.33 | −0.5 | 201.39 | 225.84 | 203.49 | 241.31 | −0.5 | 2.24 | 232.41 | 204.37 | 226.89 | 204.38 | 242.43 | 245.32 | 204.15 | 177.50 |
| Mexico (13) | 533.13 | −1.0 | 464.13 | 520.50 | 468.98 | 1657.48 | −0.9 | 0.31 | 538.30 | 473.36 | 525.55 | 473.39 | 1672.96 | 549.86 | 324.53 | 245.26 |
| Netherland (43) | 139.30 | +0.4 | 121.27 | 135.99 | 122.54 | 121.05 | +0.4 | 4.66 | 138.80 | 122.06 | 135.51 | 122.07 | 120.56 | 145.66 | 130.43 | 114.25 |
| New Zealand (17) | 63.65 | +0.5 | 55.41 | 62.15 | 55.99 | 58.46 | +0.5 | 7.56 | 63.33 | 55.69 | 61.83 | 55.69 | 58.14 | 75.36 | 59.57 | 63.22 |
| Norway (23) | 236.64 | +0.7 | 206.01 | 231.04 | 208.17 | 208.53 | +0.5 | 1.47 | 234.99 | 206.64 | 229.43 | 206.66 | 207.40 | 245.90 | 202.34 | 170.63 |
| Singapore (25) | 206.87 | −0.1 | 180.10 | 201.97 | 181.98 | 176.17 | −0.2 | 1.92 | 206.98 | 182.00 | 202.07 | 182.01 | 176.55 | 207.93 | 179.70 | 158.39 |
| South Africa (60) | 182.88 | −0.6 | 159.21 | 178.54 | 160.87 | 160.23 | +0.2 | 3.75 | 184.03 | 161.82 | 179.66 | 161.83 | 159.95 | 251.39 | 173.80 | 136.74 |
| Spain (42) | 160.26 | +0.3 | 139.52 | 156.46 | 140.97 | 127.35 | +0.4 | 4.18 | 159.76 | 140.48 | 155.98 | 140.49 | 126.90 | 165.19 | 132.84 | 145.50 |
| Sweden (35) | 215.57 | +0.6 | 187.67 | 210.47 | 189.64 | 194.98 | +0.4 | 2.07 | 214.26 | 188.41 | 209.19 | 188.43 | 194.20 | 217.57 | 173.89 | 158.05 |
| Switzerland (66) | 103.00 | +1.5 | 89.67 | 100.57 | 90.62 | 91.70 | +1.2 | 2.25 | 101.51 | 89.26 | 99.11 | 89.28 | 90.62 | 104.31 | 88.75 | 74.40 |
| United Kingdom (305) | 163.37 | +1.9 | 142.22 | 159.48 | 143.69 | 142.22 | +0.9 | 4.75 | 160.32 | 140.98 | 156.51 | 140.98 | 140.98 | 164.31 | 139.87 | 133.28 |
| USA (537) | 148.11 | +1.3 | 128.94 | 144.61 | 130.29 | 148.11 | +1.3 | 3.27 | 146.28 | 128.63 | 142.82 | 128.64 | 146.28 | 148.55 | 130.81 | 132.19 |
| Europe (984) | 146.76 | +1.0 | 127.76 | 143.28 | 129.10 | 128.11 | +0.6 | 3.55 | 145.34 | 127.80 | 141.89 | 127.82 | 127.39 | 147.76 | 135.57 | 112.63 |
| Nordic (117) | 205.10 | +0.6 | 178.55 | 200.24 | 180.42 | 175.25 | +0.5 | 1.71 | 203.83 | 179.24 | 199.00 | 179.25 | 174.38 | 206.93 | 185.01 | 153.13 |
| Pacific Basin (659) | 147.26 | −0.6 | 128.20 | 143.77 | 129.54 | 143.06 | −0.6 | 0.90 | 148.10 | 130.23 | 144.60 | 130.24 | 143.82 | 192.75 | 124.63 | 162.35 |
| Euro−Pacific (1643) | 147.44 | +0.0 | 128.36 | 143.94 | 129.69 | 137.55 | −0.1 | 1.97 | 147.37 | 129.59 | 143.87 | 129.59 | 137.72 | 174.18 | 130.35 | 142.54 |
| North America (656) | 147.50 | +1.2 | 128.41 | 144.02 | 129.77 | 146.15 | +1.2 | 3.28 | 145.71 | 128.13 | 142.28 | 128.15 | 144.37 | 147.87 | 131.02 | 132.61 |
| Europe Ex. UK (679) | 135.30 | +0.4 | 117.79 | 132.12 | 119.04 | 119.34 | +0.4 | 2.77 | 134.78 | 118.52 | 131.62 | 118.55 | 118.91 | 139.50 | 124.81 | 99.46 |
| Pacific Ex. Japan (205) | 134.19 | +0.5 | 116.83 | 131.03 | 118.06 | 120.51 | +0.4 | 5.08 | 133.50 | 117.39 | 130.35 | 117.41 | 120.03 | 139.32 | 122.53 | 115.25 |
| World Ex. US (1835) | 147.75 | +0.1 | 128.63 | 144.26 | 129.98 | 137.53 | −0.1 | 2.04 | 147.66 | 129.85 | 144.17 | 129.86 | 137.65 | 173.77 | 131.30 | 142.49 |
| World Ex. UK (2067) | 145.10 | +0.3 | 126.32 | 141.67 | 127.65 | 140.80 | +0.3 | 2.22 | 144.64 | 127.19 | 141.22 | 127.21 | 140.35 | 162.00 | 130.80 | 138.34 |
| World Ex. So. Af. (2312) | 146.49 | +0.5 | 127.53 | 143.03 | 128.87 | 140.76 | +0.4 | 2.46 | 145.79 | 128.20 | 142.34 | 128.22 | 140.23 | 161.84 | 131.95 | 137.88 |
| World Ex. Japan (1918) | 147.36 | +1.1 | 128.29 | 143.88 | 129.65 | 139.09 | +0.9 | 3.45 | 145.79 | 128.20 | 142.35 | 128.23 | 137.82 | 147.88 | 134.62 | 124.59 |
| The World Index (2372) | 146.71 | +0.5 | 127.72 | 143.24 | 129.07 | 140.89 | +0.4 | 2.47 | 146.02 | 128.40 | 142.56 | 128.42 | 140.37 | 162.05 | 132.25 | 137.87 |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